First Copy

The National Magazine of Business Fundamentals

CREDIT MONTHLY

Vol. 32, No. 8

AUGUST, 1930

(A Business Confession)

He Sat Down At My Desk

with a copy of CREDIT MONTHLY in his hand, a perturbed look on his face.

"I have a confession to make," he said, "and I have come in to tell you about it personally."

He told me how he had secured a report from a business engineering corporation on a technical phase of credit and financial management for which his company paid $100. Three days later, he picked up a copy of CREDIT MONTHLY from his desk and found a 2,300-word article covering the subject he had paid $100 for and he admitted that CREDIT MONTHLY covered the subject more thoroughly, scientifically and satisfactorily.

He is the assistant treasurer of a large corporation of nation-wide reputation, and asked that his identity not be disclosed because of his company's publicity policy. This is the only reason why a full page picture and signed statement from him is not published.

Every issue of CREDIT MONTHLY contains several articles of this nature. In one of them may be just the article you need to save your company or yourself $100, or even $1,000. And when you make your business confessions, you won't want to confess that you paid $100 for something that CREDIT MONTHLY gave you for 25 cents.

Chester H. McCall

CREDIT

MONTHLY

The National Magazine of Business Fundamentals

CONTENTS FOR AUGUST, 1930

Looking Ahead

A series of articles on Pioneers in American Business and Industry will begin in September with the first article on Captain Robert Dollar, world-known business man and foreign trader.

In September, Alexander Wall will write on the Analysis of Financial Statements, and John Stevenson, statistician of Kidder, Peabody & Co., will contribute an article on Ratio Analysis of Securities.

One of the best insurance articles CREDIT MONTHLY has ever carried will be contributed by Percy H. Goodwin, Chairman, Executive Committee of the National Association of Insurance Agents.

The question, "Should Salesmen Secure Credit Information?", is one that practically every credit executive has asked. The September CREDIT MONTHLY will present a symposium of answers to this question from credit executives of the largest companies of this country.

CHESTER H. McCALL, Editor and Business Manager

Clifford T. Rogers
Advertising Manager

Philip J. Gray
Western Advertising Manager

CREDIT MONTHLY August, 1930

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Vol. XXXII No. 8

EVENT AND COMMENT

Sense-Us Census Cents-Us

SENSE-US — CENSUS — CENTS-US. Read aloud the three preceding hyphenated words and determine whether you see in this combination a formula that will increase the profits of every wholesaler, manufacturer and retailer. These three words interpreted mean—*the knowledge to use the facts to get the money;* in other words, those of us who have enough *sense* to use the *census* will bring *cents* to *us.*

Mr. John Guernsey, In Charge of Retail Distribution, United States Bureau of the Census, brings to our attention the use and value of the Census of Distribution facts to wholesalers, manufacturers and retailers. These facts make one of the most valuable tools a credit executive can use.

The government has done for the independent wholesalers and retailers, in an accurate and impartial way what they have not been able to do for themselves. To be concrete, the wholesaler and retailer might proceed in the following manner in application of the census figures:

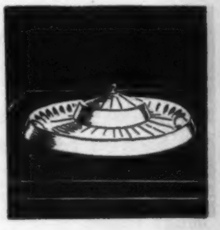
The sales per capita in a certain line in a certain city may be compared with similar sales per capita in other cities, which will tell whether a city is ahead or behind in the consumption of a certain merchandise. From these figures the customer potentiality can also be estimated and business administered accordingly.

The retailer's store may be classified as small, medium, or large, according to the average, and the total number of employees compared to employees in other stores of the same size. A comparison of total yearly sales to number of employees will reveal pertinent information. This would lead to a comparison of wages and enable those concerned to know whether a particular store is doing business at a disadvantage with competitors in the same line. This wage analysis would help determine whether wages for employees were less than the average, which would give an operating advantage over competitors, or perhaps, if wages were too small, the quality of service would be impaired and business curtailed. The really important fact in the wage situation is the sales per dollar of wages paid, rather than sales per wage earner, or wages per wage earner. An accurate analysis of wages can be made with the aid of the census data available.

The census figures make possible a comparison of business done on credit in a particular locality with the same credit business throughout the country, and in the same way in the amount of returned goods, value of stock carried, expenses and various other items.

Questions of paramount interest that business is asking are: What proportion of retail outlets are units of chains and what proportion of total business do these chains do? How many businesses are there where turnover is so small that they could not possibly give a living to proprietors? What percentage of business is done by large, small and medium sized concerns? The census figures will provide answers to these questions.

Never before in business and commercial history has such an opportunity been given to wholesalers, manufacturers and retailers. The proper, consistent application of census data takes the roulette-wheel tendencies out of business. Rid yourself of the gamble that guessing brings. Use the census figures as a business tool. Sense-us—census—cents-us.



Drops Crops Flops

DROPS in CROPS bring FLOPS in business. This statement is true from two angles. If crops fail through various adverse conditions business suffers. If crops are good but bring low prices because of economic conditions business suffers in two ways—from the poor economic conditions that already exist and the failure of crops to help improve the situation.

Look at the crop situation from any angle that you wish and you will find countless proofs of the statement *"that drops in crops bring flops in business"*. Crops taken out of the ground are new wealth—the equivalent of coined gold. Within the next three months approximately $4,500,000,000 worth of crops are maturing. This new wealth, handled properly, will do more to start business on the upgrade than any other single factor.

Under agricultural products come livestock, the yearly value of which amounts to more than the value of crops. In 1928, the total value of farm products was $12,527,000,000, of which $6,070,000,-

000 was from livestock and animal products. This twelve billion dollars is our basic economic balance wheel. This season's crop outlook, according to government estimates, shows an increase over last year of approximately 185 million bushels of corn, one million bushels of wheat, 85 million bushels of oats and 28 million bushels of barley.

Much of the pessimism concerning the farm and crop situation is unnecessary. Crop and farm produce has a certain exchange value which is determined by the level of farm prices in relation to the level of other prices. On this basis it appears that the farmer may get about as much this year for what he produces as he has received in other years.

Thus, it may be understood that "*drops* in *crops* bring *flops* in business" only when this drop is below the general level of existing economic conditions. Crops, as far as production is concerned, look favorable. And the price situation does not give reason for any undue pessimism. Crop news is the big news of the day. Watch it!

Intestinal Courage

FIVE OF US had plodded wearily up the mountain's slopes for two days. We struck camp just under the shadow of the steep, precipitous summit. The next morning we made several attempts to scale the last two hundred feet but each time obstacles forced us down. Finally, we all sat down. After all, we reasoned, we had almost reached the top. Two hundred feet wasn't much. We had "stood the gaff" of the long trail up the mountain—shown that we had the stuff. And we justified ourselves into the conviction that the last two hundred feet didn't matter much, anyway.

But there was one in the party who felt differently. He was determined to reach the very top. *And after a three hours' fight he did.* On the two days' trail he had not been the sturdiest nor the most eager for the conquest. He wasn't so well fortified physically as the others—but he had that *something down inside* that carried him the last two hundred feet. Many people in life almost reach the summit but they justify themselves into the position that the last two hundred feet don't matter much anyway. They do not face the fact that they lack that all-important something down inside that for want of a better name may be labeled "intestinal courage", more commonly known as "guts".

Fixing Tony

STEADY, profitable employment is one of the major factors upon which our economic welfare is dependent. As the wages from this profitable employment are stored in our great reservoir of purchasing power, our country has at its command streams of consumer dollars that are released through the sluice gates from this reservoir of purchasing power and directed into channels of consumption, production and distribution, which maintain our national progress and prosperity. When this natural cycle of wages into purchasing power and of purchasing power into consumption, production and distribution is disturbed our economic balance is impaired.

For several months a merchant had been having difficulty in collecting the accounts due him from one Tony Capello, an Italian who had been in this country for six years. Tony seemed to be making very good wages but he did not meet his obligations. Finally his account became ninety-six days over due. The merchant one day happened to mention this fact to the postmaster who immediately informed him that Tony was sending one hundred dollars *in cash* back to Italy each month. "He would send cash back to Italy and not take care of his credit here", the merchant answered, "I'll fix Tony".

While this merchant could "fix Tony" there seems to be no way in which this country can "fix" the tens of thousands of Tony's who are sending back to their mother countries an average of $250,000,000 in cash a year. This $250,000,000 constitutes a real drain on the economic strength of our country. It is a direct exodus of purchasing power for which there is no monetary return. This outflow has its deterrent effects on our financial system because it is a money movement in which there is no counter movement or resulting influx of funds. It is also conservatively estimated that wage earners working in Detroit, Buffalo and other border cities carry approximately $13,000,000 in earnings back into Canada each year. Add to these two figures the $500,000,000 spent by American tourists in foreign countries each year and you have one of the greatest weights that keeps our economic scales off balance.

These remittances by foreign immigrants in the last ten years have amounted to over $4,000,000,000, a cash movement far in excess of average gold movements. In the year of their lowest volume these immigrant remittances to their home countries were in excess of our receipts on account of principal and interest from the world war debts. This four billion dollars has caused a heavy drain on our reservoir of purchasing power, weakened our cash reserves and impaired our credit strength. Shouldn't something be done to maintain our economic balance by "fixing Tony"?

The President of the Columbia Broadcasting Co. Discusses RADIO

with

CHESTER H. McCALL

WILLIAM S. PALEY, President of Columbia Broadcasting Company, is still under thirty, but has built and pioneered an outstandingly successful organization in a difficult field.

WILLIAM S. PALEY is president and half-owner of the Columbia Broadcasting Company, one of the two great broadcasting systems in this country. Up until a year ago when he sold half interest in the Columbia Broadcasting Company to the Paramount Publix people, he was virtually sole owner of the Columbia system.

How did he get that way? I have heard many people ask this question—and in exactly the same words. The answer to the question is of unusual interest.

It is what a man does with what he has to do with that counts. Paley has had more to do with than most young men have but he has also done far more with his resources and opportunities than many men twice his age do with their advantages.

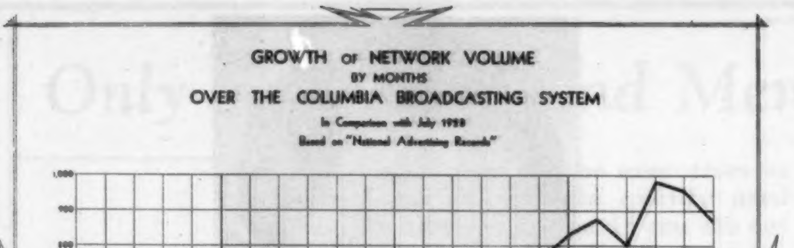
Turn back through the pages of Paley's life and read the chapter headings. *Boyhood:* Born in Chicago and began his education in the city's public schools. His interest in army life led him to enter the Western Military Academy at Alton, Illinois. Paley considers this disciplinary training to be one of the great influences in his adolescent years.

Educational Horizons: He looks upon education as an instrument to broaden a man's horizons. Just as a rock thrown into a pool creates ever widening circles so do years spent in the right kind of educational activities create ever broadening horizons. What a man does with his broadened horizons is, of course, up to him. Paley began his college work at the University of Chicago, then entered the University of Pennsylvania, from which he was graduated in 1922 with the degree of Bachelor of Science in Economics.

Business Experiences: After graduation he began work with the Congress Cigar Company, which was owned and operated by his family. He became vice-president in charge of production and advertising. His new duties required considerable traveling, one of his regular business calls being in Holland. Holland has one of the world's greatest tobacco markets where shipments are sent in and bids are placed. It was Paley's duty, as he told me, to size up the various bulk quantities of tobacco, and then place his bid price, which often involved a million or two. This procedure was loaded with risk because the purchase was made on appraisal and samples rather than on measurement and guaranteed quality. The Congress Cigar Company had been doing an unusually satisfactory volume of business, but Paley persuaded his company's officials to allot a certain share of the profits to national advertising. His advertising expansion program produced unusual results in a short period of time. La Palina, the company's brand name, became America's largest selling cigar.

Paley's next business move is recorded in his own words which answered my question, "How did you happen to leave the cigar business and enter the radio field?"

"I didn't exactly leave the cigar business and go into radio", Mr. Paley said, smiling, "radio *took me* away from the cigar business. The circumstances of my entering the field of radio broadcasting are rather peculiar. In my advertising work with the Congress Cigar



Company I saw the possibilities of radio advertising and planned a radio campaign for our company. I considered this type of advertising particularly successful and decided to expand activities in this line. As I had scheduled programs with the Columbia Broadcasting System I became fairly familiar with the organization. Every contact with radio broadcasting increased my belief in its possibilities so when I learned that the company could be bought, I purchased it immediately.

"I asked for a leave of a month or two to re-organize the system and establish it on a paying basis. But within a short space of time I became so imbued with faith and enthusiasm that I gave up my other business connection to devote my entire time to the expansion and development of the Columbia Broadcasting System."

Instead of telling the story of the growth and development of the Columbia Broadcasting System in words I have procured several charts that are reproduced in connection with this article. These charts clearly indicate the remarkable expansion of the Columbia System under Mr. Paley's leadership and are testimony as well to the great strides of radio broadcasting as a business force.

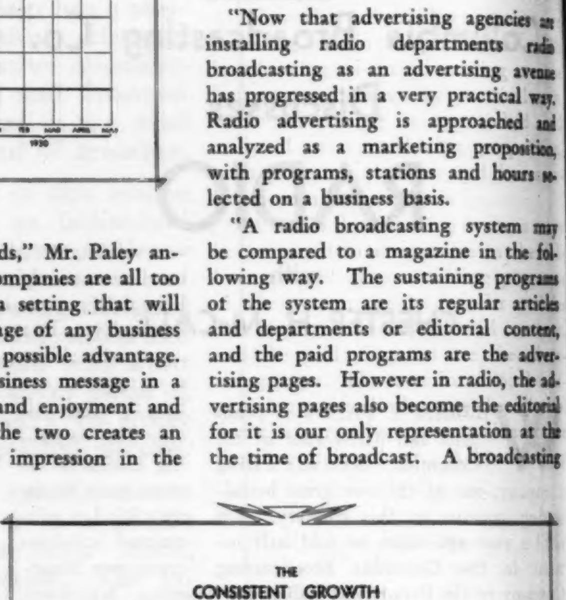
"Do you believe that business is utilizing radio to its best advantage at the present time or do you believe it is still missing many golden opportunities?" I asked Mr. Paley.

"There are a few companies in this country that have grasped the potentialities of radio and adapted broadcasting services to their needs," Mr. Paley answered, "but such companies are all too few. Radio offers a setting that will accentuate the message of any business concern to the best possible advantage. Put a utilitarian business message in a setting of pleasure and enjoyment and the association of the two creates an extremely favorable impression in the mind of the listener.

"Opportunities for originality are nowhere so great as in the field of radio publicity and advertising. And fortunately, there is a fairly accurate check on results to prove the values in broadcasting. One interesting example comes to my mind. Recently Admiral Byrd spoke in connection with the program of a well known company. I was talking to the advertising manager a day or two before the broadcast. He told me he had printed twenty-five thousand booklets to send out in answer to requests received as a result of the broadcast. Feeling that he was over optimistic and not wanting results to fail his expectations, I mentioned that twenty-five thousand sounded like a good return. He agreed that twenty-five thousand requests would be a highly successful return on the basis of the investment, but his experience had taught him that the demand might be greater. According to the last reports I had a few days ago the number of requests received had reached around one hundred seventy-five thousand.

"Now that advertising agencies are installing radio departments radio broadcasting as an advertising avenue has progressed in a very practical way. Radio advertising is approached and analyzed as a marketing proposition, with programs, stations and hours selected on a business basis.

"A radio broadcasting system may be compared to a magazine in the following way. The sustaining programs of the system are its regular articles and departments or editorial content, and the paid programs are the advertising pages. However in radio, the advertising pages also become the editorial for it is our only representation at the the time of broadcast. A broadcasting



system must have an editorial policy just as a magazine does. The same elements of balance, human interest and educational values must be considered in a broadcasting schedule as in an editorial schedule. Sometimes there is a program we have an opportunity to close that must be turned down. I have here on my desk now a contract for $250,000 that we cannot accept because certain factors make it inappropriate for broadcasting over our system."

"From this, Mr. Paley, I gather that you interpret the obligations of a broadcaster to the public in strict terms?"

"The broadcaster's obligations to the public comprise the first principle of broadcasting success. This obligation consists of placing before the public the very best in entertainment and education, handling very intelligently extraneous matter during broadcasts, and furnishing information and news items when they are news.

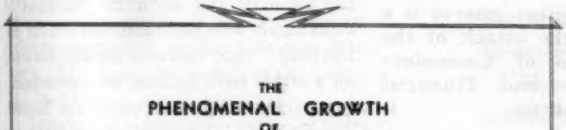
"To illustrate this idea I will give you one of our actual experiences. We had arranged to present over the radio a news story of one of the greatest feats of the country. In this we were aided by a commercial sponsor. Every arrangement had been made, when at the last minute our sponsor-collaborator decided that all news of this feat should be withheld until the last broadcast of the day. Should we have acceded to this wish I do not believe we would have been meeting our obligation to the public. At some sacrifice the Columbia Broadcasting System was forced to decline the sponsorship. We adhered to our original plan and gave the news as we received it throughout the day.

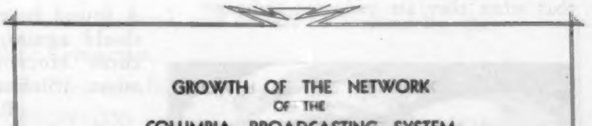
"It is a broadcaster's obligation to strive constantly to improve every technique possible in studio and control room alike. Program material must be constantly improved or expansion in chain broadcasting will prove a boomerang. Novelty should be ejected into presentations and hackneyed and stereotyped ideas religiously avoided. This phase is expanding so rapidly that in a few years I know we shall smile at our past efforts.

"Business organizations look to the broadcaster for an effective method of mass education in the merits of their respective products. It is our obligation to the public to accept no contracts that do not definitely offer something of real value and entertainment to radio listeners. Radio's basic function is entertainment and the public's belief in this fundamental must not be abused. Therfore, the proper balance between entertainment, education and information must be maintained. Radio is fast learning which programs are effective and which are not. The results of various programs sponsored by different companies reveal the most successful techniques and plans. As rules and facts are gathered from these experiences they are made available to businesses to increase the prestige and effectiveness of their programs. Only in this way can radio meet its obligation to its customers.

International Good-will

"And now I come to what I consider radio's greatest obligation—to the ideal, if I may call it that, that fills me with the most pride and enthusiasm for my work. On August 8th, Colonel Lindbergh will make his first regular talk over the radio. He was in the office and talked the matter over with me not long ago. I told Colonel Lindbergh that I intended to make his talk an international hook-up—*because a radio broadcast of this kind is the greatest single factor that can build and maintain international amity and good-will.* International broadcasting is my biggest dream. *It is radio's greatest obligation.* It is the light that can effectively lead the world out of the darkness of misunderstanding and doubt and give us a great international language of sympathy and understanding."





What It Means to Have A Good Credit Standing

On Wednesday evening, July 23, Dr. Stephen I. Miller was the guest speaker on the Halsey, Stuart & Company Radio Program, speaking on the above subject. In this talk Dr. Miller analyzes many significant phases of individual credit, describes how our credit machinery functions, and emphasizes the great importance of an investment reserve as a shock absorber to safeguard credit.

CREDIT is the currency of the Twentieth Century, the magic coin with which the modern world conducts its mammoth commerce. Credit is intangible, but all-pervading. It is nothing more nor less than confidence that a man is willing, and will be able, to keep his word. It has been well said that this is not primarily the age of steel, or the automobile age, but the age of confidence—the age of credit economy.

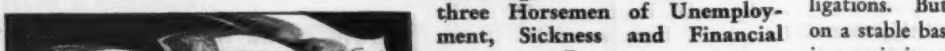
Business in America has grown great, and has extended its roots and its branches to the ends of the earth, because of this confidence that men have in one another. The capital for great enterprises is furnished because of the confidence investors have in a slip of paper—a bond or a stock certificate. Millions of people entrust their savings to insurance companies, in cities far away, administered by men they have never seen, and are serenely confident that when they are gone the company will live up to its contract and provide for their loved ones.

Every day there are put into circulation throughout the country millions of dollars worth of commodities for which nothing has been given other than credit. As a nation we have over 300 billions in wealth, and only about 8 billions in money. Eliminate credit from our commerce today, put all our business on a cash basis—and seven-tenths of our business enterprises would shrivel up and die. Gold is the basis of our monetary system, yet if all the employees in America should demand to be paid in gold next Saturday, there would hardly be enough gold in all the banks in the country to meet the weekly payroll.

The gigantic total of credit outstanding at a given time is a tremendous responsibility upon the business of the country and upon the millions of individuals who have assumed credit obligations. But business moves forward on a stable basis because an overwhelming majority of the people are honest. Actually, about 99½ per cent. of the people meet their obligations.

Credit is not solely a concern of the banks, and of the business world, because every citizen is vitally affected by the credit system. We have added several billions of credit within the last few years, through the development of instalment and charge account business. Aside from that, all of us participate in the credit system, whether we ever use a charge account, or buy goods in instalments. We get our water, gas and telephone service on credit, and pay for them at the end of the month. We are debtors of the

(*Continued on page 38*)



A sound investment reserve is a shield against the attack of the three Horsemen of Unemployment, Sickness and Financial Reverses.

The Donovan Plan for Bankruptcy Reform

W. RANDOLPH MONTGOMERY

Counsel to National Association of Credit Men

Answers Its Critics

PRESIDENT HOOVER, on July 29, authorized the Attorney General to conduct a bankruptcy investigation, saying: "I have authorized the Attorney General to undertake an exhaustive investigation into the whole question of bankruptcy law and practice. It will be a most extensive and vigorous investigation. The work will be under the direction of the Solicitor General, and he will be assisted by the Department of Commerce.

"The losses through bankruptcy in the last five years exceed $3,000,000,000 and are now averaging $750,000,000 per annum. The purpose of the investigation is, of course, to propose to Congress some essential reforms in the bankruptcy law and practice."

THE report of the standing committee on Commercial Law and Bankruptcy to be made to the 1930 Convention of the American Bar Association, and recently published, represents the thoughtful and mature judgment of a well qualified committee of lawyers and referees, with respect to the proposals for bankruptcy reform contained in the Donovan Report. Mr. Jacob M. Lashly of St. Louis, is Chairman of the Committee.

Almost simultaneously with the publication of this report, there appeared in the June number of the American Bankruptcy Review, the report of the Bankruptcy Committee of the Commercial Law League of America, of which Mr. Robert A. B. Cook of Boston is Chairman, and with whom is associated a representative group of able and experienced lawyers and referees.

The two committees express their admiration of the exhaustive and painstaking report on the administration of the Bankruptcy Law, prepared by Colonel Donovan and his associates, but differ diametrically as to the necessity or desirability of any change from the present method of administration and control of bankrupt estates.

Neither committee approves the proposal for the appointment of a Federal Bankruptcy Commissioner with the powers recommended by the Committee on Bankruptcy of the National Association of Credit Men, and by Colonel Donovan. The Committee of the Commercial Law League reaffirms its established position of satisfaction with the present system of the appointment of receivers and the election of trustees by creditors, and believes that the abuses which were revealed in the Southern District of New York are not typical of conditions throughout the country.

The American Bar Association Committee, on the other hand, states as follows:

"There is one conclusion which the Donovan report, when considered in connection with all of its accompanying proofs and addenda, establishes beyond any peradventure. It is that *the policy of creditor control in administration of estates in bankruptcy has proven to be a failure.*"

From this premise, it arrives at the conclusion that creditors' control should be abolished and an official liquidator appointed by the judges in each district to have entire and exclusive control of administration subject to the supervision of the District Court.

The American Bar Association Committee says: "a reduction in the number of referees throughout the country and an enlargement of their judicial control of estates will provide a more intimate supervisory medium in harmony with past experience and present practice," than the proposed transfer of such supervision to a Commissioner to be appointed by the President of the United States.

Neither the Committee of the Commercial Law League of America, nor the American Bar Association Commit-

tee makes any mention whatsoever in its report of the important recommendations contained in the Donovan Report for expediting the closing of bankrupt estates. It would seem that these suggestions are in no sense controversial and there can be little doubt as to their wisdom. Why these proposals, which would do much to facilitate the operation of the existing machinery, were ignored by the committees is difficult to comprehend, particularly in view of the fact that they are precisely the type of recommendation that should appeal to lawyers who are genuinely interested in improving the administration of the law.

It is difficult to reconcile the statements in the report of the American Bar Association to the effect that "the only place where flagrant abuses and grossly illegal practices were found to exist, in the administration of the bankruptcy law was in the Southern District of New York," with the same committee's conclusion that the primary reason for dissatisfaction with bankruptcy administration lies in the abuse and misuse of proxies. The committee finds that under the existing system, "the control of estates, which is theoretically placed in the hands of creditors, is actually and in practice exercised, and the fees and emoluments enjoyed, by proxy holders and solicitors. * * * This is a condition which encourages the proxy solicitation agencies to colonize the bankruptcy business *in the larger communities.* * * *"

It is made clearly apparent by the investigation conducted by Colonel Donovan (which, by the way, was not limited to a study of conditions in the Southern District of New York, but included the sending of field representatives to several of the larger cities and the mailing of questionnaires to referees in every judicial district and to judges, referees and lawyers in all of the leading cities) that most of the evils existing in the administration of the bankruptcy law have their root in this very matter of the abuse and misuse of proxies and if this condition is prevalent "in the larger communities", as Mr. Lashly's committee states, then the conclusion would seem to be inevitable that the conditions found by Colonel Donovan in the Southern District of New York are not unique, but are typical of those which exist in the larger communities everywhere, and this, Colonel Donovan finds, is indeed the fact.

The American Bar Association Committee would remedy the situation by the substitution of an official liquidating agency for the present system of elected trustees and appointed receivers. This change the Committee states is in harmony with "the present trends of opinion and recommendation."

The writer cannot refrain from questioning the basis of the conclusion that the present trend of opinion and recommendation is in the direction of the designation of official receivers. So far as the writer is aware, except for the present Committee of the American Bar Association, and some, but not all of its predecessor committees, the trend of opinion and recommendation has been quite the reverse. Witness the current report of the Committee on Bankruptcy of the Commercial Law League of America, and the report of the Committee on Bankruptcy of the National Association of Credit Men for 1930. The only support of the above conclusion which the American Bar Association Committee can point to, is the emergency measure adopted by the judges of the Southern District of New York in the appointment of the Irving Trust Company as sole receiver, and the recent action of the U. S. District Court for the Eastern District of Michigan, in appointing a Detroit bank in a similar capacity.

How It Is Done Abroad

On the other hand, in Canada the system of officially designated trustees was abandoned and the right of selection of trustees given back to the creditors after a painful and unsatisfactory experience.

In England, creditors are given the right to elect trustees, subject, however, to the approval of the Inspector General of Bankruptcy who corresponds to Colonel Donovan's Proposed Bankruptcy Commissioner, and subject to rules and limitations with respect to the use of the franchise, which are markedly similar to the limitations proposed in the Donovan report.

There seems to be a profound misinterpretation of the powers and duties of the Federal Bankruptcy Commissioner as conceived by Colonel Donovan. The American Bar Association Committee states that the "adoption of such a radical and revolutionary departure would deprive the Bench and the Bar of the country of the benefits of much of the experience of the past and instantly wipe out important values to be found in the adjudicated cases and written opinions of the courts."

What basis is there for any such conclusion? Colonel Donovan's suggestion is only this: That the responsibility for the selection of trustees in the first instance should be vested in the Executive Department of the Government, rather than in the Judicial Department. He proposes that to effectuate this transfer, there be appointed by the President of the United States, a Federal Bankruptcy Commissioner who would have power, with the advice and approval of committees of lawyers and business men in each judicial district embracing a city of more than 250,000 population (i. e. the larger centers where abuses in bankruptcy administration are admitted), and after public hearings, to grant licenses to properly qualified individuals and corporations to act in the capacity of trustee in bankruptcy, and that the right of creditors to elect trustees should be limited to a selection as between the authorized or licensed trustees.

This proposal does not in any way affect the substantive provisions of the Bankruptcy Act, and would in no wise "wipe out important values to be found in the adjudicated cases and written opinions of the courts." Such adjudicated cases and written opinions have to do practically entirely with the interpretation and application of the substantive provisions of the law *as to which there is no proposal for any amendment whatsoever.*

On the other hand, Colonel Donovan's proposed system of licensed trustees and limited creditor control, with the surrounding safeguards which he has suggested, would tend to eliminate the proxy evil by taking away from collection agencies and their associated attorneys the incentive for the solicitation of proxies.

That every collection agency would have associated with it a licensed trustee, as contended by some critics of the Donovan plan, assumes a complete lack of intelligence and character on the part not only of the Bankruptcy Commissioner, but of the advisory committees which would be set up in the several districts to assist the Commissioner in passing upon the quality and fitness of applicants for licenses.

Again, the American Bar Association Committee ignores the fact that in many instances creditors take an active, important and intelligent part in the selection of the trustee, and subsequent adminstration of the estate.

The Donovan plan proceeds upon the undoubtedly sound theory that *where creditors wish to exercise the right of*

control, they should be permitted to do so; to deprive them of the right of control when they wish to exercise it and to turn over the administration of bankrupt estates to officials selected by the court with utter disregard of the creditor's wishes, would remove from bankruptcy the salutary and beneficent effect of supervision by those whose money is at stake in the proceeding, and would set up in its place, a bureaucracy which in actual practice, even in a limited way, in the Southern District of New York, has proven so distasteful to the creditor body that creditors in that district are increasingly resorting to common law liquidations over which they have absolute control.

After careful study and consideration, Colonel Donovan came to the conclusion that bankruptcy ills cannot be cured by merely substituting official liquidation for creditors' control. The remedy in his opinion, and that of the Bankruptcy Committee of the National Association of Credit Men, lies in increasing the effectiveness of creditors' control rather than in abolishing it, by eliminating so far as may be done, the system of dual administration; by reducing the legal work to a minimum, and by cutting the red tape which causes expense and unnecessary delay.

With one conclusion contained in the report of the Committee of the American Bar Association, the writer is in thorough accord; namely, that no radical changes in the Bankruptcy Act should be proposed to Congress until "the sound judgment of the Bar and the interested groups becomes crystallized and united upon the necessity for change", and until "some program shall be advanced upon which all or the major portion of those people who are familiar with the facts of past experience can agree."

Admittedly the Committee on Bankruptcy of the American Bar Association has not gathered any such body of statistical information applicable to the country as a whole, as that which was published by Colonel Donovan and his associates. Conclusions to the effect that the Donovan report does not represent fundamental defects in the law itself, which are applicable throughout the country is of necessity supported only by the personal opinions and experience of the five members of the Committee. The writer is confident that the theory of the reform program advanced by Colonel Donovan and by the Committees on Bankruptcy of the National Association of Credit Men and

(*Continued on page* 46)

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SOLICITOR GENERAL THACHER, in this special message to Credit Monthly outlines the scope and purpose of the government Bankruptcy Investigation:

The problem of efficiency in the administration of our Bankruptcy Laws is primarily one which directly concerns and touches the interests of every business man in the United States. For the protection of the commercial community the Bankruptcy Law has two functions to perform: First, the prompt and efficient realization, liquidation and distribution to the creditors of what is left of the commercial wreckage of an insolvent estate; and, second, the prevention, through its discharge and criminal provisions, of reckless and dishonest dealings in trade.

The purpose of the investigation which is being conducted by the Department of Justice in cooperation with the Department of Commerce will be to ascertain whether under the present system these functions are adequately performed or not; and if they are not, to propose necessary amendments to the law.

Not only in ascertaining the facts upon which well-considered conclusions may be predicated, but in considering the remedies for any defects in the law which may be disclosed, the thoughtful cooperation of business men throughout the United States will be vitally necessary to the successsful solution of the problems presented. Such cooperation will not only be welcomed, but is asked, by the Department of Justice and the Department of Commerce.

You Cannot Operate Unless You Co-operate!

In this article SAMUEL ARDRON, JR., tells how the individual and the group to be going, operating concerns, must first be co-operating concerns

THE world old question "Am I my brother's keeper?" might well be changed to the question "Am I co-operative?" and I sometimes wonder how many credit men address an inquiry blank to themselves asking for information on this most important subject.

The dictionary's description of co-operation is: "the association of a number of persons for their common benefit; collective action in the pursuit of common well-being." Therefore, to be co-operative I believe one must possess the following qualities:—vision, initiative, enthusiasm and loyalty, with the last mentioned qualification being the basic stratum upon which co-operation must be built.

A Fundamental of Business

I believe it is true in the course of the ordinary individual's living that too little thought is given to the vital significance of this all important factor in life. Before entering the field of association activities, I did not realize as I do now, how necessary it is. Facing each day as we do the various problems of business, one becomes more and more impressed with the fact that not only all successful but all honest business must have for its basic principle the foundation of co-operation.

How long do you think the "City of Chicago" would have stayed in the air if one of the brothers had decided after three hundred hours of flying that he was going to sleep the clock around, or if the refueling plane had missed a trip? It took co-operation of the same eternal precision as the mechanical workings of the plane's engines, and it required ability to do the job. Therefore co-operative effort among individuals is necessary to the success of any movement.

It was not so many years ago that for one reputable business man to ask another for information about a certain customer was to invite a story of such an imaginative nature as to be actually untruthful, and, of course, misleading in all its details. Today, most of the reputable business organizations of the country are giving freely and truthfully all the information available about their customers. And why? Because they realize that the only way to build for a stronger economic structure is to tell not only their own particular trade but all others, through the medium of some transmitting agency, which of their accounts are sound credit risks and which are unsound. An unco-operative spirit has been gradually changing its psychology to one of co-operation, with plenty of room yet for improvement both as to spirit and numbers.

Isn't it true that in many instances the sellers of merchandise are more responsible for failures than the debtors themselves, bringing failure about through the medium of high pressure salesmanship, deliberate overstocking, and an improper checking of credit risks due to so-called keen competition?

It is not indicative of co-operation or success when a seller hands his merchandise over his counter to a buyer, receiving in return the buyer's credit, if the seller does not make the buyer a vital part of his organization. This merchandise has perhaps taken years of strenuous thinking and labor to produce. Hence, a failure to understand the buyer's problems and to render assistance when needed shows a lack of co-operation.

Neither is it indicative of co-operation or success when large and experienced business organizations allow others to enter their particular fields of activity without proper knowledge of business just for the sake of selling merchandise. Wouldn't it save a great deal of business mortality if the established merchant were to sit down with his prospective customer analyzing his ability and qualifications for the fight to the end that he might enter the field of business, if any, best suited to his particular ability?

Choosing Customers

I can hear some business men say, "Competition is too keen these days. We must sell our merchandise." Would competition be quite as keen, and wouldn't that same business man be able to sell his merchandise to much better advantage, if more care were exercised in choosing the customer rather than allowing the customer always to choose from whom, when and how he shall buy?

Will Rogers says, "In America we

(*Continued on page* 38)

■ **THE DOMINANT QUESTION asked by wholesalers, manufacturers and retailers today in regard to their accounts receivable is: "How long can I carry an account on my books at a profit?" The answer to this question is given in this article along with a scientific, comprehensive analysis on determining the**

Profit Vanishing Point in Accounts Receivable ■

BY E. GAMLEN

General Merchandise and Sales Manager, Frank Werner Stores, San Francisco

EVERY merchant, be he manufacturer, wholesaler or retailer, is today vitally interested in the subject, "How long can a merchant carry an account on his books at a profit?" or "What terms can a merchant give and still make money on his accounts receivable? Where is the point at which the profit ceases and the loss begins?"

It would be a somewhat difficult matter to explain the procedure of determining the profit vanishing point in Accounts Receivable so that everyone could understand without giving examples or illustrations of the process; it has been deemed advisable, therefore, to illustrate the points made by means of concrete examples which will convey the information to the brain quickly and accurately.

We will start with a simple form of a Balance Sheet, which we will refer to hereafter as Chart "A".

ASSETS:		
Cash		$ 10,000.00
Accounts Receivable		100,000.00
Merchandise		300,000.00
Fixtures		50,000.00
		$460,000.00
LIABILITIES:		
Accounts Payable		$100,000.00
Capital Stock		260,000.00
Surplus	$70,000.00	
Profit & Loss Acct.	30,000.00	100,000.00
		$460,000.00

This chart is a simple form of balance sheet, showing the condition of an imaginary business at the end of any particular period. Listed on the second line in the assets you will observe the Accounts Receivable are $100,000, and on the last line under the head of Liabilities, it will be noticed that the business during the period just ended has made a profit of $30,000.

We must now determine what relationship this net profit of $30,000 has to Accounts Receivable, listed above as $100,000.

It is customary, as you know, when compiling a balance sheet, to make an allowance for bad and doubtful accounts, and after that allowance has been made, to list the balances of the Accounts Receivable in the balance sheet at their retail value. These balances just merely represent the debit side of the charge sales that remain unpaid at the end of the month or period. In other words, the net profit shown on the balance sheet includes the profit on these Accounts Receivable, even though further expense must be incurred to collect the accounts. Some day conservative business men may want to change this custom. They will argue that it is safer and better business not to take the full profit on an account until it has been liquidated, for merchandise sold on credit has filled only half its function to business, and the rounded-out transaction is incomplete until the bill is paid; and why pay income tax on profit that has not been completely earned? But until the custom has been changed, we must deal with it as it is.

So that we may more clearly understand the relationship of this net profit of $30,000 to the Accounts Receivable of $100,000, on Chart "A," we will now look at Chart "B", which is a Profit and Loss statement:

Cash Sales		$300,000.00
Charge Sales		300,000.00
		$600,000.00
Cost of Sales (deduct) 65%		390,000.00
		$210,000.00
Expenses (deduct) 30%		180,000.00
Net Profit 5%		$ 30,000.00
Net Profit on Cash Sales	$15,000.00	
Net Profit on Charges	15,000.00	30,000.00

For the sake of clearness, the sales have been split into two divisions, showing that out of the total sales of $600,000 the cash sales contributed 50 per cent., or $300,000, and the charge sales also contributed 50 per cent., or $300,000.

You will observe that the cost of merchandise sold was 65 per cent. of the sales, and the expenses 30 per cent., thus leaving a net profit on sales of 5 per cent., or $30,000. So, on the average, the charge sales have contributed $15,000 to the net profit, and the cash sales have contributed $15,000. But we saw on Chart "A" that $100,000 of the charge sales remained unpaid, and were listed in the Balance Sheet as Accounts Receivable. (Let us refer to Chart "A" again for a moment). It is thus plainly seen that out of the net profit of $30,000 shown on this Balance Sheet, the unpaid Charge Sales (Accounts Receivable, if you like) have contributed $5,000; that is a sum equal to 5 per cent. on the $100,000 Accounts Receivable.

Our problem, therefore, is to discover the point in the life of these accounts when the profit vanishes and the loss begins.

We have ascertained two factors:

First, the amount of the Accounts Receivable; second, the profit on these Accounts Receivable. The next factor that enters into the situation is the costs that eat away that profit, for as soon as an account is placed on the books the relentless law of costs begins to consume or swallow up every vestige of profit, and proceeds to pile up a loss, if it remains unpaid after the vanishing point has been reached.

It is very important, therefore, to determine your costs. What does it cost to "get in the money" after the charge sale has been posted to the ledger account? The expression "get in the money" is used instead of the word "collect," and covers more than is usually understood by the words "collect" or "collections."

It is absolutely essential, if we are to succeed in our quest of the profit vanishing point in the life of an account, that we know just how much it costs to "get in the money."

The costs of a credit office should have two divisions: One listed under the head of "Creative" costs, and the other listed under the head of "Uncreative" costs. (This suggestion I would like to pass on to our Controllers so that a standard form may be used by all businesses.) It is admitted beyond question that selling merchandise on credit has greatly increased sales volume. To mention automobiles alone is more than enough to prove the point. Were automobiles sold only for cash, it is doubtful whether sales would reach 35 per cent. of their present volume. So, in our discussion of the costs incurred in running a Credit Department, we must recognize the sales creative and profit creative function and power of the costs of a credit department. It is this power to create sales and profit that is the fundamental cause of the rapid growth of credit in our stores. This really is the power behind instalment selling and "Buy on our Budget Plan" policies.

Under the heading of "Creative" costs should be listed in dollars and cents all costs incurred in the credit department up to and including the point of being charged to the Accounts Receivable ledger. This will cover, of course, the salaries of those engaged in interviewing applicants, getting reports, passing on applications, also part of the following items: Ledger sheets, billing clerks' salaries, stationery, postage, telephones, rent of space used; in fact, all items that enter up to the point where "getting in the money" begins.

"Uncreative" costs, or the expense incurred in "getting in the money," is really what is vital to us at this moment. The two main items that come under this heading are: (1) Interest on capital invested in Accounts Receivable, and (2) Losses incurred by bad debts written off. Salaries of cashiers receiving payments on Accounts Receivable should not be overlooked, also part of the billing clerks' salaries in posting payments to Accounts Receivable, and a proportionate charge for postage, stationery, telephones, rent and so on, not forgetting all collecting costs and agency commissions, also part of the depreciation on equipment. It is very important that great care be exercised to include every conceivable item; otherwise, we cannot get a correct answer to our query. Until such a time as a standard of credit office costs—creative and uncreative—has been established and accepted, each business must set up its own standard.

A LA SHAKESPEARE

who said: "There is a tide in the affairs of men which, taken at the flood, leads on to fortune," there is also a profit vanishing point in accounts receivable, which, neglected by the merchant, will inevitably bring him to ill-fortune. This article tells how to make accounts receivable pay profits — not dissipate them.

Chart "C," which follows, shows the Accounts Receivable, Control Account, for one month.

Accounts Receivable first of month	$100,000.00
Charge Sales	50,000.00
	$150,000.00
Deduct cash received on acct.	50,000.00
Accts. receivable at end of month	$100,000.00

In this example, we have assumed that at the commencement of the month the Accounts Receivable were $100,000, the Charge Sales $50,000 and the Cash Received on Account was $50,000. This gives 50 per cent. turnover of Accounts Receivable, and leaves a balance of $100,000.

Int. (6% on $100,000.00) 1 mo.	$500.00
Month's charge for reserve for bad debts (1% on $50,000.00)	500.00
Uncreative costs	500.00
	$1,500.00

On the above Chart (D) we have summarized the Uncreative costs of the Credit Office. We saw on Chart "C" that the Accounts Receivable at the end of the month were $100,000, and we have charged interest at the rate of 6 per cent. per annum on the capital invested in Accounts Receivable. On Chart "C" we also saw that the Charge Sales for the month were $50,000, and we have charged 1 per cent. ($500) on the Charge Sales as provision for Bad Debts. On Chart "D" we have assumed that all other uncreative costs, such as salaries of cashiers receiving payments on accounts, part of billing clerks' salaries, all collection expenses, in fact, every cost that enters into "getting in the money" total $500, making a grand total of Uncreative costs of $1,500.

Before proceeding to the next point, it may be well to pause a moment to say that perhaps someone may object to including a charge for capital invested in Accounts Receivable, but it is absolutely necessary if we wish to get the correct costs of "getting in the money" that this item be included. It is economically unsound to omit this item of interest if you honestly desire to find the correct vanishing point of profit in your Accounts Receivable. To argue to the contrary is as unsound as the contention of the merchant who did not charge anything to his expense account, because he owned the building. Money has an earning power, whether it is your own or someone else's, and if it were not locked up in Accounts Receivable, it would probably be earning interest somewhere else.

How Do You Find It?

The next point is the one for which you have been waiting. How do you find the profit vanishing point?

The mental process of determining the point at which the profit ceases and the loss begins in Accounts Receivable, as outlined, is called "The Gamlen Method."

First: It ascertains the sum of Accounts Receivable.

Second: It determines the proportion of the net profit contributed by those Accounts Receivable (i. e.—unpaid charge sales.)

Third: It determines the costs that eat away the profit.

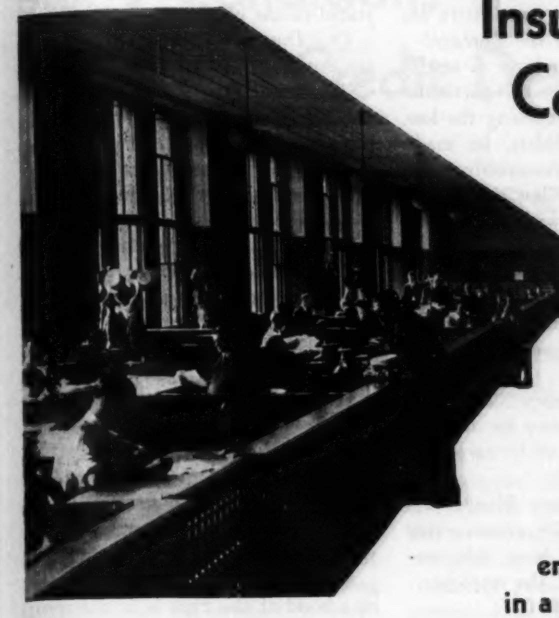
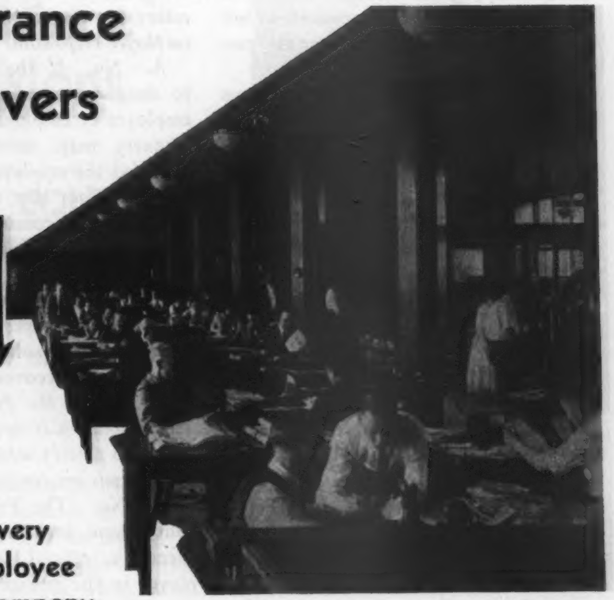
Fourth: It determines the length of time required to consume that profit.

Fifth: The time is given in number of days.

This is the formula of the Gamlen method: The net profit on Accounts Receivable multiplied by the number of days in the period, and divided by the costs of getting in the money for

(*Continued on page 39*)

Blanket Fidelity Insurance Covers

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every employee in a company, from the office boy to the chief executive. Mr. J. SCHMIDT, JR., Superintendent, Fidelity Department, Hartford Accident & Indemnity Company points out in this article the importance of modern dishonesty insurance to modern business.

THE invention of Primary Blanket Fidelity Bonds, the most modern form of Dishonesty Insurance issued for the commercial field (but not for banks, bankers, brokers or public officials, their deputies or employees), has done much to solve the many problems and perplexities which it is necessary for credit executives to consider in the transaction of their business. The introduction of this form of insurance, which is of quite recent origin, marked the dawn of a new era of progress in the Dishonesty Insurance field, hitherto referred to as the Fidelity Bond field.

The issuance of Primary Blanket Fidelity Bonds represents a radical departure from former methods and practices. Prior to August 1, 1926 it was not possible for any commercial organization to adequately protect itself against losses arising through the dishonesty of employees. Losses of this kind, especially in these days of "keeping up with the Joneses", to say nothing of those caused by stock market speculation which are still being reported to bonding companies with disturbing frequency, emphasize more than ever the need for Blanket Dishonesty Insurance.

The importance of the personal element in business has been stressed and generally recognized for a long time. We have as a part of this personal equation that incalculable element of human nature, honesty, or perhaps I should say, dishonesty. We like to believe that all men are born honest but it must be obvious to the most casual observer that all men do not remain honest. You may have personally come in contact with one or more of these unfortunates. Occasionally when we see claim notices which come across my desk, or "grief slips" as we more appropriately call them, we cannot help but speculate how many honest people are really left in the world. Do not conclude from this that we are becoming cynical, but the number of claims received daily, not only by this company but also by others, is increasing with sufficient rapidity to indicate that apparently there has for sometime been considerable decay of moral fibre. And this condition of affairs is something which will have to be reckoned with by credit executives.

You will all admit that employers, generally, need protection against these things and these conditions, which tell only a very small part of the risk every employer carries in connection with his personnel. In making this statement we do not eliminate the old and trusted employee, because only too often he is the fellow who is responsible for the biggest loss which has been concealed for a period of years. It is these contingencies and many others too numerous to mention here which the Primary Blanket Fidelity Bond has been especially designed to cover. You will make no mistake in thoroughly investigating this comparatively new form of Dishonesty Insurance, not only for your clients, but also for your own organization. Bankers, generally, have learned the value of Blanket Insurance from their own experience.

Exceptionally Broad Coverage

These Primary Blanket Fidelity Bonds, without exception, cover all of the officers and bona fide employees, as therein defined, against any and all direct loss or losses of money or other personal property belonging to the employer or in which the employer has a pecuniary interest, or held by the employer as collateral, or as bailee, trustee or agent, and whether or not the employer is legally liable for the loss thereof, sustained through larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wilful misapplication, or other fraudulent or dishonest act or acts committed by

any one or more of the employees acting directly or in collusion with others. This is exceptionally broad coverage and, incidentally, under certain conditions these bonds are issued in amounts as low as $10,000 for the small annual premium of $150.

The rapid development of this form of insurance has exceeded our expectations. It indicates that credit executives and others have not been slow to realize its many benefits and advantages.

To give you a clearer understanding of the contract, your attention is invited to the following questions which are frequently asked, and also to the accompanying answers.

Q. *What is a Primary Blanket Fidelity Bond?*

A. The premier of all forms of Dishonesty Insurance, covering, without exception, all bona fide employees of the Insured.

Q. *Why are Primary Blanket Fidelity Bonds the most attractive form of protection available for the commercial field?*

A. Because they provide Lump Sum Protection against the numerous hazards to which commercial organizations are exposed. This is a distinctive feature. It is the only form of Dishonesty Insurance written for the commercial field which gives such protection. Incidentally, it relieves employers, represented by their credit executives or others, of the responsibility of guessing who should be bonded and for how much. It is apparent from the number of uninsured losses and excess losses, constantly being brought to the attention of bonding companies, that employers have met with only very indifferent success in making these guesses.

What Losses Are Covered?

Q. *What losses are covered by Primary Blanket Fidelity Bonds?*

A. Losses of money or other personal property belonging to the employer or in which the employer has a pecuniary interest, or held by the employer as collateral, or as bailee, trustee or agent, and whether or not the employer is legally liable for the loss which the employer shall sustain through larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wilful misapplication or other fraudulent or dishonest act or acts.

Q. *Does a Primary Blanket Fidelity Bond cover collusion between employees with others?*

A. Yes. It covers any loss coming within the terms of the bond, sustained by the employer, whether committed by one or more employees acting directly or in collusion with anyone.

Q. *When a loss occurs under a Primary Blanket Fidelity Bond, is it necessary for the employer to identify the employee responsible for the shortage?*

A. No. If the employer is unable to designate or identify the particular employee or employees causing the loss, recovery may, nevertheless, be made, provided the employer reasonably establishes the fact that the loss was due to an act or acts coming within the terms of the bond. Under antiquated forms of Fidelity Bonds, such as individual, named schedule or named position bonds, the employer must unmistakably identify the defaulting employee in order to effect recovery.

Q. *Under the Primary Blanket Fidelity Bond, is it necessary for the employer to specify which of his employees and officials are covered?*

A. No. The Primary Blanket Fidelity Bond automatically covers every executive, official and bona fide employee in the service of the employer.

New Employees

Q. *What about new employees? Are they also covered under the Primary Blanket Fidelity Bond?*

A. Yes. New employees are automatically covered without additional cost and without so much as a gesture being made on the part of the employer or insured. Similarly, employees leaving the service are automatically deducted without notice to the insurer. This eliminates a great deal of responsibility, trouble and expensive and cumbersome detail.

Q. *Does the coverage afforded by the Primary Blanket Fidelity Bond apply to branches and subsidiary companies as well as to home offices?*

A. Yes. The bond is applicable to all bona fide employees, as therein defined, engaged anywhere in the employer's service within any of the states of the United States, or within the District of Columbia, the Hawaiian Islands, Alaska, Canada or Newfoundland. Subsidiary companies are covered with the parent company as coinsured. Separate Blanket Fidelity Bonds are issued to cover employees located anywhere in the world, except within the states of the United States or within the District of Columbia, the Hawaiian Islands, Alaska, Canada or Newfoundland.

Q. *Will a Primary Blanket Fidelity Bond lapse or expire at the end of the premium year if the employer should fail to pay the annual premium?*

A. No. The Primary Blanket Fidelity Bond is a continuous instrument and can only be cancelled by either the employer or the insurer in the manner stated in the bond.

Q. *Does the Primary Blanket Fidelity Bond contain a restoration clause?*

A. Yes. When a loss is paid, the penalty of the bond is automatically restored to its original amount with regard to any losses which may occur after the date of the notice of the loss to the insurer.

Q. *Why is it important that small and medium-sized employers be completely protected against loss?*

A. Because the smaller the organization, the less able it may be to withstand a substantial Dishonesty loss. A loss that might not affect the stability of large organizations, for instance, might wreck a smaller one.

Q. *Are any premium adjustments necessary because of additions or deductions made throughout the premium year?*

A. No. The premium accounting on a bond of this type is, in the average case, confined to one premium charge made at the beginning of the year, and no adjustments throughout the premium year are necessary.

Q. *Does the Primary Blanket Fidelity Bond cover brokers, commission men, consignees, agents and other representatives of the same general character?*

A. No. This form of contract is limited to executives, officials and bona fide employees, as defined in the bond.

Most Economical Protection

Our company has been a leader in the development of this type of insurance because it feels that in that way it and its far-reaching agency organization can best take advantage of a real opportunity to serve the Dishonesty-Insurance-buying public. We have yet to hear of a case where an employer did not like the Primary Blanket Fidelity Bond. It is comparatively inexpensive when compared with the present cost of antiquated Fidelity Bonds, under which just a few key men are covered. We feel more than justified in saying that the premium investment is very low. It covers the employer's entire personnel from the Chairman of the Board down to the humblest employee. And this is exactly what should be done because there is no way of determining in advance who the next dishonest employee may be, nor how much he may steal. Employees in insignificant posi-

(*Continued on page* 41)

Study Conditions Before Making Credit Decisions

says W. DISNEY COLE, Secretary of the Epes-Fitzgerald Paper Company, Inc., Richmond, who adds a fourth C to the three basic criteria of credit judgment.

TO the three C's of Credit we have been talking about for so many years, we need to add a fourth, Conditions. There is no use denying the fact that general credit rules are influenced by conditions, national, sectional, and local—all variable from time to time. The credit manager must adjust his policies and his methods to these conditions, regardless of his personal convictions and conveniences. His success in handling credits depends upon a thorough and intimate understanding of conditions in the territory in which his field of operation lies.

Here in the South, for example, we have a peculiar situation arising from agricultural conditions. A credit manager, whether he wants to or not, is forced to act as a banker. For a good many months in the year, he has to carry accounts or else sacrifice business which he cannot afford to lose, for the jobbers and manufacturers must wait on the merchants who have to wait on the farmers. The problem is: how can he carry accounts without loss of profit?

Our company, a paper house, has headquarters in Richmond and branches in Raleigh and Columbia. We actively solicit trade in Virginia, West Virginia, Tennessee, North and South Carolina, and Georgia, and our customers are chiefly printers. We solve our problem of carrying accounts, in part, by charging interest on overdue balances at six or seven per cent., dependent upon the legal rates prevailing in the various states. I have been asked if this does not cause friction. We collect about $3000 a year in interest charges, and objection is made to possibly $100 of that amount. Buyers do not seem to think that it is more unreasonable to pay interest to us than to the banks.

Is it safe to carry accounts beyond the date of terms, some one inquires? Again, I refer back to conditions. I view our credit policies from two angles. The first is that there is a limited amount of business in the South. If I were to refuse leniency to customers, we would not only be injured by competition, but we would lose that residue of business out of which profit comes. I see no alternative but to be lenient with good judgment.

This is the time of the year when we have to be most patient, as collections are at their lowest ebb. But it is a normal condition for this season in the South. In spite of all the talk about business depression, we are not finding this year notably worse than others. In this part of the country, the paper trade is running about ten per cent. below normal; in our own company, we have succeeded, by increasing our sales efforts and advertising, in keeping business to within four per cent. of last year's volume.

Know Local Conditions

The second angle from which I look at our company's credits is that, in determining a customer's credit possibilities, I must make a guess as to his chances of success. This brings me to the necessity of knowing not only national and sectional conditions but the local conditions affecting the customer. I am influenced by an investigation of the crop conditions in his locality and then by the conditions obtaining in his own business.

I get my information in a number of ways. First of all, I see the man personally if possible. I have traveled a great deal through our territory, talking with customers. It is not necessary for me to leave the office so often now as formerly, because fortunately, there is not a great deal of turnover among printers, and in the course of several years, I have become acquainted with the majority of our regular customers. Still, I do not hesitate to make a trip whenever things look bad in a town.

A personal visit will give me a good basis for judging a man's ability and his habits. I went to see one customer who had been complaining of his inability to pay his bills and smelled whiskey on his breath. This indicated to me that he was not attending to his business as he should, and so I got the money from him as quickly as possible.

Much information comes to me, too, from the salesmen. A copy of every letter sent a customer goes to the salesman, who sees in it a warning and reports extenuating conditions if there are any.

A third source of information may be a customer's competitors. If they report that he is cutting prices, we investigate to find out if he is approaching trouble. A frequent source of difficulty among small business men is too rapid expansion, and price cutting is often the first red flag.

The natural history of a business is that the first year, a man operates on capital, the second year on credit, and the third on profits. If by the third year, he is not making profits, it is time to be warned.

Not infrequently, a printer will be encouraged by a little success to enlarge his equipment beyond what is justified. He will invest in a machine which costs $2000, let us say, paying $250 down and $75 a month on a conditional contract. He pays the machinery manufacturer before the paper houses, because if he falls down on his instalments, he loses his machine and

all he has put into it. We will not finance a customer if we find that he is deeply involved in a machinery contract. Since he is not likely to confide such a situation to us, we have to watch closely for signs of overexpansion. When there is a hint of it, leniency stops, and we go after our money.

THE NATURAL HISTORY OF A BUSINESS

is that the first year, a man operates on capital, the second year on credit, and the third on profits. If by the third year he is not making profits, it is time to be warned.

An invaluable source of information on individual credit conditions is our local paper dealers' Credit Exchange Bureau which was formed in 1925 and is made up of the dealers in Richmond, Norfolk, Lynchburg, Greensboro, Charlotte, and Roanoke. Credit representatives of these houses meet once a month and compare ledger records. Inquiries as to new or doubtful customers are circulated among the members during the month and the standing of each one is then recorded on the card illustrated, which we have devised for quick reference. The members of the Bureau are also members of the N. A. C. M. and operate as a trade group within the Association.

For general information as to business and financial conditions I rely upon a careful reading of newspapers; upon the reports of Southern trade such as carloadings, given in *Commerce and Finance;* and upon the news of the country that I glean from the magazine *Time.*

Three months ahead is the maximum time for which I make any prophecy as to conditions. That is to say, I revise my estimates of prevailing conditions every three months, at least, and change my credit policies accordingly.

As to collections, it has been my observation that a customer, without any apparent reason for it, will sometimes pay one house when he is withholding money from another equally entitled to consideration. This partiality may be based upon a personal acquaintanceship, which is another reason why I get to know our customers if I can. Certainly, a collection letter has a more personal influence when the delinquent can visualize the man who is writing to him.

The usual excuse for delinquency is "I can't pay, because the other fellow doesn't pay me." A few years ago, I decided I would meet this answer by providing the customer with a plan for getting the "other fellow" to pay.

The plan was outlined in a little booklet given free to customers who complained of having trouble with their collections. The results have been very satisfactory. The suggestions have actually promoted customers' collections, but they have also, I think, had a good psychological effect. If a customer to whom I have sent the booklet gives the usual excuse I ask him, "Have you used the plan I sent you?" and he either goes after his customers harder or finds a way to pay us.

At the suggestion of the editor of CREDIT MONTHLY, I append some extracts from the booklet:

After waiting thirty days, if check has not been received from the customer, the longer he takes reduces the profit proportionally, and it is necessary to take steps to secure settlement, for if it is allowed to remain unadjusted, there is the probability of the customer's printing going somewhere else, at least until the indebtedness is settled. In addition, it is conceded by all that the older an account becomes, the harder it is to collect.

If thirty days after the bill has been rendered, settlement is not made, then it is proper that another statement be mailed.

If no payment is received seven days after the second statement has been sent out, it is no doubt due to the customer's overlooking it or thinking that you do not want the money so he will pay some one else.

To correct this erroneous impression, the easiest, cheapest and least offending method is to write the customer a letter. Suggested:

Gentlemen:

Subject (amount due)

Your attention is respectfully invited to the above, which is due and according to our books remains unpaid.

We are quite certain that this has escaped your attention, and we would appreciate upon receipt of this reminder, your prompt check to cover.

If this does not bring the desired results and no promise has been received as to payment at the end of seven days, then the following letter would be in order:

Dear Sir:

Subject $(amount)

It is regretted that we do not seem to have received check from you as requested in our letter of (date) in adjustment of the subject.

This is overdue, and in the event you have not mailed remittance, we urge that you do so promptly.

If at the end of seven days after the second communication, no settlement is made, then a personal visit to the debtor should be promptly made on the local accounts. Your two letters are fresh in his mind. The customer knows why you have come; and he will in the great majority of cases, seeing that you are business-like in the conduct of your affairs, give you the desired remittance.

In the event that no definite date is stated as to when he will make payment, a simple question from you will bring the desired promise, which can be followed up on maturity, resulting in the collection without creating any ill-will and paving the way for a repeat order or some other job.

With out-of-town customers, it is necessary to continue writing. The following letters should be sent at seven-day intervals:

Gentlemen:

Subject $(amount)

We have written you twice relative to the above and not only failed to receive payment as requested but have had no word from you concerning it.

Inasmuch as this is now somewhat out of line in accordance with terms of sale,

(*Continued on page* 43)

Perkins Printing Co Richmond FINE

	Selling Since	TERMS	H. C. Last 12 Months	Pays Past Due	OWES Open	OWES Notes	PAST DUE
EF	yrs	Reg	443	1-2	360		57
RP			No				
CAU			No				
VP			No				
WP	✓	✓	216	2	130		30
OD	28		51	P	0		
CD	29		700	P-1	522		94
DP	1/30		230	P-1	89		12
CS			No				

Card used by Credit Interchange Bureau members to record standing of customers. The initials in the first column at left stand for the names of the members of the Bureau. The notation H. C. signifies "Highest Credit."

Is Argentina a Good Credit Risk?

BY RAOUL LEON
of the firm of
Leon and Bonasegna, Buenos Aires
as told to A. L. Birch

CREDIT and business executives of the United States are becoming more and more alert to the opportunities and possibilities of the Argentine Republic. This is due partly to the ever-increasing volume of trade between the two countries, and partly to the enormous investment of United States capital in Argentina. Nearly $300,000,000 worth of bonds alone are in the safe-deposit boxes of American investors, while the amount invested directly in other projects is many times greater.

About half of all the business done by the United States in South America is transacted with the Argentine. In actual cash value, Argentina's purchases from the United States grew from $96,000,000 in 1922 to a total of $210,000,000 in 1929. Exports to the United States were valued at $86,000,000 in 1922 and expanded to $118,000,000 in 1929. Approximately one-fourth of the Republic's spending dollar goes to the United States. At one time Great Britain was undisputed as the favored merchant in Argentina, but the United States has made such rapid commercial strides that the British are being crowded for first place.

At present Argentina is passing through certain difficulties. As compared with 1929, exports and imports are running behind, 37 and 32 per cent., respectively. Customs receipts are down 17 per cent., bank clearings 10 per cent., and business failures have been nearly 40 per cent. greater among the smaller retail merchants, most of them not properly capitalized. Unsettled conditions affecting the peso exchange rate have further complicated matters, but one bright spot lies in the fact that internal revenue collections in 1929 were $3,000,000 in excess of estimates, and $6,000,000 ahead of 1928.

Stabilizing factors counterbalance these difficulties. Argentina is primarily an agricultural country, and depends for its buying power on the ability to place its produce abroad. A year of poor wheat crops and bad weather, and a world-wide depression and a surplus of agricultural products in some European countries, have impaired buying power and slowed up business and collections. When it became evident that the country would lose much of the gold it had imported during the favorable years of 1927 and 1928, the Gold Conversion Office was closed. This action amounted to prohibiting the export of gold, and the peso correspondingly declined from its par of 42.45 cents to 37.5 cents. Such a step seems drastic, leading as it does to price inflation, but as Argentine currency is somewhat inelastic, serious deflation would have followed large gold exports. As a result Argentine currency is provided with an ample gold coverage. The Gold Conversion Office now holds 451,000,000 gold pesos, while it has 1,317,000,000 paper pesos in circulation.

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The famous "Christ of the Andes" which stands at summit of pass in Andes mountains and symbolizes the peaceable settlement of boundary dispute between Argentina and Chile.

A nation such as the Argentine is dependent for normal development on capital borrowed abroad, and because of unsettled conditions at home, these borrowings have been lessened. Hence, public works and municipal expenditures declined, leading to still further depression. While the national debt seems fairly large at $87 per capita (1929), the governmental revenues are ample to adequately care for this indebtedness. There is an additional floating debt of $16 per capita (1928), which is offset by the fact that the total per capita wealth of Argentina is a little over $1300, placing its per capita wealth among the first in the world. The present unsatisfactory conditions are primarily cyclical. Export trade reached peaks in 1920, 1924 and 1928, with corresponding depressions in 1921, 1926 and 1930.

Agriculture and Stock-Raising Still Lead

While manufacturing in the Argentine is advancing rapidly, grain growing and cattle raising are still the principal activities of the country, and have been developed only to a fraction of their possibilities. New settlers of the best type are urgently needed before proper development can be fully realized. The soil and climate of the country are very similar to that of the United States and as only 10 per cent. of the total area of the country is now under

cultivation there are millions of fertile acres to be settled.

Argentina is one of the world's largest exporters of chilled and frozen meats, and produces one-half of the world's total of linseed for which the United States is the principal customer. Exports of meat have continued satisfactorily. Wool, wheat, linseed, hides, maize, oats and tanning materials comprise the other principal articles of export. The country also produces cotton, sugar, and tobacco. The extent of these crops is dependent to a large measure on the ability to obtain suitable and sufficient immigrant labor. Argentina is one of the largest markets for wool and hides in the world. Articles purchased from the United States are principally manufactured products such as tools, machinery, automobiles, oils and fuel, clothing and textiles, steel, lumber, preserved foods, etc. An interesting item is approximately 12,500 windmills annually, half the United States' entire production.

Minerals are scarce in the Republic. There is no coal or iron, but there are extensive timber lands as yet almost untouched. Industrial expansion, as you know it in the United States, will probably be confined to hydro-electric power projects and the exploitation of oil deposits in the southern portion of the country. A significant new development, however, is the building of several branch factories in Buenos Aires by United States firms. These factories are being built and managed by carefully selected representatives sent into the Argentine from the United States and may be indicative of a considerable further growth along similar lines. Tariff changes will be likely to affect this branch of activity.

From a relatively obscure position thirty years ago, Argentina has developed into a nation of vigorous, high-spirited and progressive people. Essentially a Latin nation, it is to-day a land of individuality because it is so cosmopolitan. Argentina is developing a vital civilization of its own with much of the American tempo and a spirit like that of the early pioneers of the United States.

The population of the Republic totals about 12,000,000 of whom more than one-fifth reside in Buenos Aires, the capital. This city, now larger than Philadelphia, is one of the most beautiful in the world, and is at the same time one of the world's great ports. There are only a few other cities of consequence in the republic. Buenos Aires is the gateway to the entire country, and the concern that would do business in Argentina must first concentrate its efforts in "B. A.", as we know it.

Doing Business with Argentina

In general, business with the United States is conducted in three ways: by means of branch houses operated directly by the manufacturer; by the employment of local "representatives" in whom is vested full responsibility for promoting the sale of products, as well as collection of payments, and by selected field salesmen sent to Argentina by their home offices.

There are many successful branch houses at present in operation managed and directed locally by executives sent from the United States. Because of the length of time required to become familiar with selling problems peculiar to the country, a reputable firm established in Buenos Aires may be engaged as a representative, particularly if there is not sufficient capital available to justify the opening of a branch office. Such representatives should be given full authority to promote business according to their best judgment, and may be given power of attorney as well.

The Foreign Department of the National Association of Credit Men has made excellent progress in assembling information taken from the ledgers of American exporters concerning the paying habits of Argentine firms. However, among Argentine business men there is little interchange of ledger information. Many firms are doing business with methods that in the United States would not be considered as adequate as the value of the business warrants. Some of these firms are worth millions; their credit is unlimited; their word is their bond; they know their business and its conditions, yet their accounting systems have not been modernized. From the standpoint of the American business man, some of these firms would appear to be hopeless risks, yet the established local representative knows their worth and the soundness of the credit risk involved.

Credit practice in the Argentine is very much like that in the United States except that it is much smaller in scope. In small concerns credit is passed on by a senior officer, such as the president, but in large firms credit executives are appointed. In retail trade, instalment selling has become as much a part of Argentine business as of American business. The retail bad debt loss in the States is said to be less than one-half of one per cent. Figures of this kind have not been compiled in Argentina, but the retail credit risk is assuredly no greater. The typical Argentine business man ranks high in honesty and intelligence and is rapidly adopting American business ideas.

There was a time when American business men, like those of every other nation, made the mistake of using the Argentine as a dumping ground for damaged and rejected goods and "seconds". Realizing that mistake many years ago, the exporter corrected the condition. Soon after that a further step forward was made in sending salesmen into the country, who understood the language, customs and temperament of the Latin people. It is

(*Continued on page* 45)

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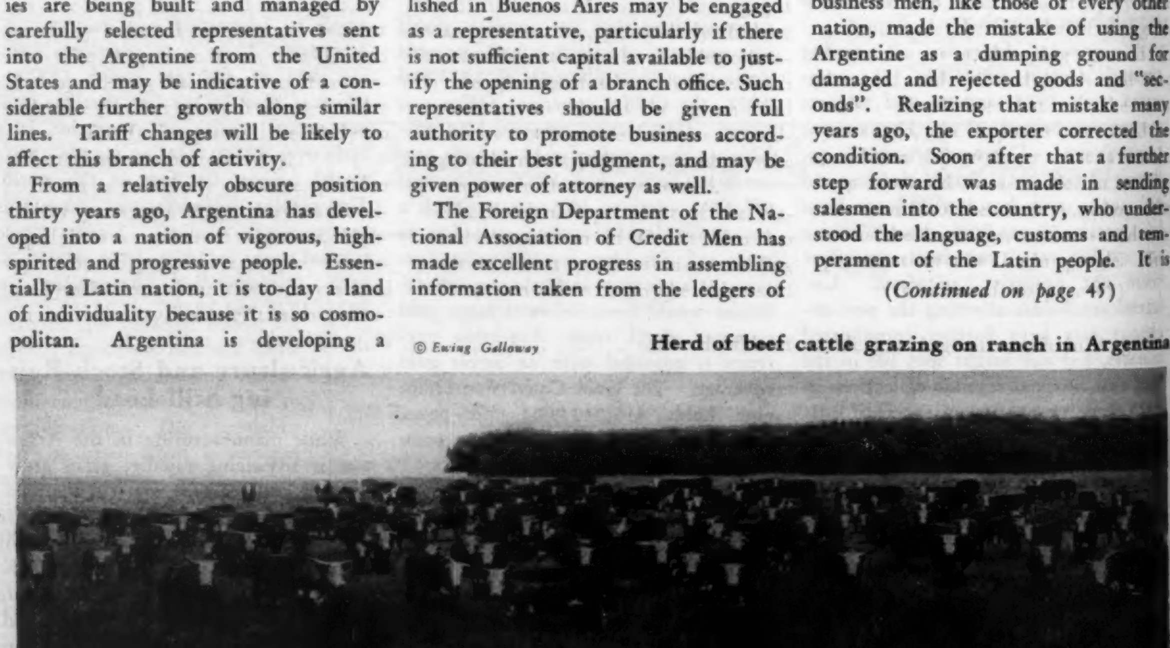
Herd of beef cattle grazing on ranch in Argentina



■ **There seems to be an unusually large IF in the new tarIFf bill, particularly in relation to our foreign trade. Secretary of Commerce Lamont in this article analyzes**

Our New Tariff and Foreign Trade

I HAVE been asked, "What effect will the new Tariff have on our foreign trade?"

Some light on this question may be gained from the experience after the passage of the Tariff Act of 1922; that Act raised the level of duties, as compared with the Underwood Act, much more than has been done in the present revision. As many protests were received from foreign countries as have been received in the present year; and there were just as many predictions of disaster to our foreign commerce.

This is what actually happened: In the seven years under the 1922 Tariff Act, our total imports increased 41 per cent. Imports of manufactured goods from Europe rose from $340,000,000 in 1922 to $581,000,000 in 1929, or by 45 per cent. These gains were not due to increased prices of commodities.

Our imports from Germany and Czechoslovakia more than doubled; from Italy they increased 83 per cent.; from Belgium, 37½ per cent.; from Spain and Switzerland about 25 per cent. each; and from France, 20 per cent. The United Kingdom is the only important European country from which we purchased less in 1929 than in 1922, and this falling off was not due to changes in our rates of duty.

During the same period, our exports of finished manufactured goods, the class most affected by the tariff of foreign countries, increased practically 100 per cent. Every year following the enactment of the 1922 Act showed a marked gain until the present year.

It is obvious, of course, that the reductions in imports and exports which began in the latter part of last year are not to be attributed either to the discussion of our Tariff or its enactment. There has been a recession in business and a reduction in prices throughout the world. Other countries, as well as ours, have seen their trade in both directions decline during recent months.

Much has been made of the protests presented by various foreign nations during the course of the Tariff discussion. There is nothing new in such protests. Every country, including our own, shows concern when other countries propose increasing their tariffs.

The United States is not alone among nations in making changes in its tariff levels. Forty or fifty other countries have made general upward revisions since 1925, including nearly all of those countries which have protested against the proposals to increase our rates.

The protests which have been made by foreign governments to us, in connection with the 1930 Tariff, may seem to indicate a wide sense of grievance. However, they include protests made over the course of more than a year during the various stages of the Tariff Bill. In a considerable number of cases the proposed increases to which they related were not finally enacted; as for example in the case of laces, bananas, jute and shingles. In other instances the rates objected to were materially moderated during the progress of the Bill so that as finally passed they are not much different from what they were before, as in the case of plate glass, rayon, swiss cheese, soya-bean oil, oriental carpets, perfumery, and pharmaceutics. The rates on silk goods caused considerable anxiety at times, but the final average increase in duty is less than 5 per cent. ad valorem.

Taking these points into consideration, we find that those protests which actually apply to the Act as passed and which relate to changes of duties of possible real importance to the protesting countries amount to probably not more than 10 or 12 per cent. of our total imports.

The New Flexible Clause

Perhaps the most important feature of this Tariff Bill is the new flexible clause. The old one did not work very well. The present clause is more effective, in that the Commissioners have greater latitude at arriving at differences in costs of production as a basis for adjusting rates. If a foreign country believes that any of our tariffs are unduly high and prevent competitive shipment into the United States, it can present its case to the reorganized Tariff commission which, in collaboration with the President, has the power, if the complaint is justified, to rectify the rates. This new proposal for dealing with such cases by a semi-judicial body is unique in the World's tariff procedure. No other nation has offered to us a similar opportunity to present our case where, as often has happened, we have believed its duties were unduly high and discriminatory against us. This plan should enable us to meet in a fair manner outstanding cases involving foreign interests.

Considering then these things:

(1) The steady growth for many years of both exports and imports, in spite of increases in previous tariffs;

(2) The relatively small percentage of our imports to which the protests of our foreign (*Continued on page* 45)

Reprinted from "The Amazing Life of John Law", by Georges Oudard, published by Payson & Clarke, Ltd., now Brewer & Warren, Inc.

John Law of Lauriston

John Law Shooting Star of Finance and Father of Credit Theory of Money

BY FRANCES MICHAELSON

THERE have been incredible careers in the financial and credit history of the world but none more fantastic than the quick rise to power and speedy decline of that shooting star of finance, John Law. This Scotchman, whose passion for banking and finance was the dominant force of his character controlled the financial destiny of France for a few short years after the death of Louis XIV in 1715, but the system he created expanded like a monstrous gas-balloon and once pricked, exploded with a loud bang and left nothing behind but wreckage.

A Gay Young Blade

John Law was the son of a Scotch goldsmith. John learned more about money than about the goldsmith's art in his father's shop, for the gold-workers of the early 18th century had the privilege of coining gold-pieces and were in their way amateur bankers. Law received a good education, and apparently rather a worldly one, for at the age of twenty he had established himself in London, and was living on his winnings at the gambling table. He was a handsome and gay young man, and achieved a reputation as a Don Juan. In a duel fought for a lady's love, Law had the ill luck to kill a rich and influential member of English society, and it was only through the intervention of another lady, that John Law did not die on the gallows at the age of twenty. He left England in a hurry.

He spent the next ten years in the commercial capitals of the world, Amsterdam, Genoa, Venice, Rome, and Florence, hiring himself out as a clerk to some influential banker and gaining an inside knowledge of how the banking institutions of these cities were run. Banking was then in the experimental stage, and each large city had its own specialized type of bank. The Bank of Amsterdam was a savings-bank which issued notes and had a primitive kind of checking-account system. It was not known to the public whether or not the bank invested its deposits. It was John Law's private opinion that the bank did invest its funds. The Banco del Giro in Venice has its own characteristic feature: it acted as banker for the state and lent the government money when it could not obtain enough revenue by taxation.

Credit Theory of Money

All these experiences were grist to John Law's thought-mill. An idea had taken form in his mind, a unique conception of money and banking which he embodied in a treatise entitled, "Money and Trade Considered with a Proposal for Supplying the Nation with Money". In this treatise, published when he was thirty-three years old, he set forth this theory that a country's economic ills are caused by an insufficient supply of currency, and that the way to set a country on the road to prosperity is to make enough paper money to meet the demand for it. Another point in his treatise was that paper money should be issued not against gold and silver, but against the value of land. It seemed to him that the value of land could not fluctuate and money issued against it would be more stable than money issued against gold and silver, commodities with fluctuating values. But whatever the security behind it, he believed that paper money should be the medium of exchange rather than metal. Inflation of the paper currency would be prevented by restricting the note-issuing prerogative to one institution, a National Bank.

In 1708, with his plan fully formulated, he set out for Paris to sell his idea to the French government. He

met with failure, for Louis XIV, whom old age had made superstitious, refused to have any dealings with a "heretic". John Law set out again on his travels which this time lasted for seven years until 1715 when the death of Louis XIV gave him his big chance. These seven years of wandering were not barren of results. He made a small fortune gambling and playing the exchange, a sport not unknown in those days. He worked over his system and added one new point. He would create a powerful Company which would colonize some part of the New World and control all the trade of the country.

The death of the "Sun King" in 1715, after a reign of some sixty years, brought Law back to Paris, the commercial capital he had been storming for years. He presented his plans to the Regent, the Duke of Orleans, whom he had met in a gambling house. The Regent was attracted by Law's forceful personality. He realized too that the finances of France were in such a bad way that they could not possibly become worse. He presented Law's plan to the Royal Council. This conservative group vetoed the creation of a National Bank.

A Private Bank

Law was not daunted. He changed his plans to conform to the desires of these conservatives. If they would grant him a charter, he would open a private bank, in which he would invest his own capital of 50,000 £. To raise the rest of the necessary capital, he would issue shares in the bank and would accept in three-quarter payment state notes which the Government had sold and which circulated as money at a greatly depreciated value. This was the strongest selling argument he could present, for by accepting these notes, he was relieving the government of part of its worthless paper currency.

This argument won. His plan was accepted by the Councils of Finance and Regency. His bank was to be a private bank of deposit and account, it could issue notes, and it was to be a stock-holding corporation. Law and his brother William bought up a great deal of the stock and held the majority of votes.

The sale of shares was very poor at first. Nor was the business of the bank particularly flourishing. People feared to place their money in this great, impersonal cash-box, which might be bottomless. They were rather timid about using the bank-notes which the Bank began to issue in moderate quantities. The notes became popular, however, soon after the Council of Finance decreed that they would be accepted by the government in payment of taxes.

La Compagnie d'Occident

The Bank launched, Law began work on a new project. The craze for colonization in the New World had started in Europe. England, Holland and Prussia had organized trading companies to carry out their projects of colonization. Law saw a chance for profit in the settling of Louisiana, then a French possession. He presented a project to the Finance Council, embodying the formation of the "Campagnie d'Occident" (Company of the West), which would have a complete monopoly of the Louisiana trade. The Company would have full governmental control of the territory, would have the power to collect taxes, wage war, make treaties, etc. The capital of the company would be obtained by popular subscription of the shares, and here again state notes would be accepted in three-quarter payment. These state notes turned in would be burned and thus would be taken out of circulation forever. Law painted a glowing picture for the Council of the wealth which the colonization of Louisiana would bring France. The Council approved the plan. Subscription of the shares began, and Law sent a commission over the ocean to the territory of Louisiana to survey the land, and to lay out a town to be called New Orleans, in honor of the Regent, the duke of Orleans.

The growth of Law's organization up to this point was cautious, regular, normal. Everything was under control. From this point onward, however, inflated by Law's enthusiasm which kindled a corresponding enthusiasm in the French people, the system began its abnormal expansion which would inevitably end in a gigantic explosion.

So popular was the Bank with the Council of Finance, that in 1718 they made it the Banque Royale, a government institution. To make good his promise to supply the nation with as much cash as it needed, Law began to turn out paper money in enormous quantities. He opened five branch banks in the larger cities of France and stocked them generously with his bank notes.

The Compagnie d'Occident was expanding and had absorbed two smaller trading companies. Law changed its name to the "Compagnie des Indes" (The Indies Company) and issued more shares. The stock was growing in popularity. Speculation was causing the price to rise steadily.

The Bank project and the Louisiana project were now indissolubly linked together. Many people had used all their

(*Continued on page* 44)

When France in 1715, as explained in this article, became insolvent, the Regent, Philip of Orleans, endeavored to lift the nation out of its bankrupt condition by allowing John Law, the Scottish adventurer and financier, to put his own financial system into force. Law put forward a credit theory of money that has always been of significant interest to economists because it was one of the first great experiments in credit. Law maintained that land would be better money than gold or silver, which fluctuate in value and that land would be the best and most stable measure of value. As land could not be put into circulation, Law advocated the issuance of mortgage notes on land. In advancing his theory, Law said: "Land is what produces everything, silver is only the product . . . land cannot lose any of its uses, silver may lose the use of money it is now applied to, and so be reduced to its value as a metal. It may likewise lose a part of its uses as a metal, these uses being supplied by other goods, which decreases silver's value as a metal." From this basis, Law argues that an increase of credit is the same as an increase of actual money, which makes credit independent, new capital. Characteristic of this view of the nature of credit is his famous phrase: "C'est au souverain à donner le crédit, et non à le recevoir." (The debtor should give credit, and should not receive it.) Every credit executive will be well repaid if he will make a close and analytical study of John Law's great experiment in credit.

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The adding machine has greatly reduced the cost of handling float, one of the most costly services a bank performs. The picture on the opposite page, however, shows that small banks are still recording and totaling checks by hand.

Float—

In this article Mr. O. Howard Wolfe, Cashier of the Philadelphia National Bank, clarifies the problem of Float, the amount of demand deposits subject to check which are in process of collection. He discusses thoroughly all aspects of the subject: economic, legal and practical.

THE word "float" like "transit item" is a banking "shop" term which has come into general use within recent years. It is used to define or describe that part of demand deposits subject to check which is uncollected or rather which is in process of collection. For the greater part float consists of checks payable out of town, although exchanges for the clearing house also represent uncollected deposits. Unfortunately it is impossible to secure or even estimate closely the total amount of checks and bank drafts that make up this daily item of float, since in the published statements of banks, collected as well as uncollected funds are included in the single figure showing "due from banks". That it is a huge sum is certain. Only the Federal Reserve Bank statements give us any clue as to what the statistics would be if all banks, state and national, city and country, were compelled for reasons of reserve calculation to publish their figures separating the item of collected balances in other cities from checks in process of collection. For the twelve Federal Reserve Banks and their branches we do have definite records. As of May 21, 1930 these banks showed as collected deposits due to member banks the sum of $2,374,166,000. On the same day the "float" for the same account was $588,896,000. Even allowing for duplications, that is for items handled by more than one Federal Reserve Bank, the total is very impressive and leads to the conviction that the item of float for the entire banking system of the country is upwards of one billion dollars daily.

The Economic View-Point

Float may be discussed from three points of view,—the economic, the practical banking, and the legal. Although the three are closely related, it may be well for the purposes of this article to attempt as far as possible to deal with them separately. We are handicapped somewhat in an abstract economic treatment of the subject by the lack of statistics. We do know, however, that one of the outstanding weaknesses of our former method of providing for bank reserve was the privilege of counting as legal reserve the amount shown as due from banks (in theory, balances carried) in any one of the forty odd reserve cities or the three central reserve cities of New York, Chicago, and St. Louis. Thus, a country bank could include in its reserve items charged to the account of its city correspondent even before the checks had themselves left the local post office. This is still the general practice of state chartered banks not members of the Federal Reserve System, and since it offers what might be termed at least an uneconomic if not an unfair advantage in favor of non-member banks, it probably accounts in large measure for the reluctance of many banks to join the Federal Reserve System.

That this method of reserve calculation was and is subject to abuse goes without saying. The practice we shall now refer to frequently came to the attention of the writer prior to 1914. A national bank situated, let us say, in North Carolina would find itself pinched for reserve and disinclined to borrow money to make up the deficit. It would on such occasions include as "cash items" in its letter to its city correspondent notes, drafts, and other "time" items, thus increasing its apparent (or legally, actual) reserve by the sum of these items. Allowing two days' mailing time in each direction the North Carolina bank would have painlessly availed itself of a fictitious reserve for four days, or until it had received a memorandum advising it that the time items had not been credited to its account but were being held for ma-

—$1,000,000,000 Daily

turity. We know of city non-member banks that frequently lift themselves by their reserve boot-traps in somewhat the same fashion. One does not need to be much of an economist to appreciate the inflation dangers attendant upon using float as reserve when such practices may be indulged in with impunity.

How to Read a Statement

Under Federal Reserve system regulations banks in large cities may deduct float from gross deposits to arrive at the net against which reserve must be carried. Country banks do not enjoy this privilege, which is denied them for no economic or banking reason that the present writer has been able to discover. This factor should be taken into consideration when reading and comparing published bank statements. The tendency is to look first at the total deposits without giving consideration to the items "Due from banks" and "Exchanges for the Clearing House". It frequently happens that large banks especially will show somewhat decided, if not violent, fluctuations in gross deposits, whereas the net deposits in each case may remain the same. This is especially true of statements published at the end of December or about the first of January, when there is great activity in depositors' accounts owing to the dividend payments and other end-of-the-year transactions. The true picture of the bank's position from the viewpoint of deposits can be determined only by reference to the net deposits, which in simple terms means deposits less float.

To understand the practical side of the float problem, one must review some history, choosing arbitrarily the period just prior to the National Bank Act as a starting point. Even the most optimistic could scarcely claim that banks enjoyed the confidence of the public at that time. When one accepted a state bank note he never knew whether he had bought or sold something. Bank checks were in even greater disrepute, because not only was there question, then as now, as to the goodness of the item itself, but there was also doubt as to the solvency of the drawee bank. Transportation and mail facilities were such as to require considerable time in converting the float of that day into cash. Hence all checks were accepted for collection to be credited to the depositor's account only when actual cash returns were in hand.

As confidence in banks was restored and the number of banks multipied, the use of checks grew in favor. Clearing Houses were organized and collection methods improved. The time had come to improve upon the method of handling checks for depositors. Anyone who is familiar with the operation of the transit and collection department of a large bank knows that the fundamental difference between "cash" and "collection" items is that the former are handled in accounting by totals; the latter as individual pieces, each requiring at least six different operations. The work incident to accounting for cash items increases by addition; collection item work increases by multiplication. Let us illustrate the effect of this difference by a concrete example.

In The Philadelphia National Bank about 400 employees can handle the 250,000 checks which pass through our hands daily. The personnel consists of men and women who act as machine operators, bookkeepers, settlement clerks, auditors, etc. About sixty other employees are required to take care of the 3,000 collection items which form the day's grist, and we believe our system is modern and efficient in every respect. Now if we were obliged to treat the 250,000 checks in the manner prevalent seventy years ago, i.e., as collection items subject to irrevocable credit only when paid, we would be obliged to employ 5,000 clerks in the collection department alone, as compared with our present total bank force in all departments, which is under 800. Obviously, then, to have continued the collection basis of deposits would have entailed a cost which neither the business public nor the banks would have cared to absorb. The alternative would have been to discard the checks, and go upon a strictly currency basis of payments—an equally impossible consideration. It is immaterial to this discussion

(*Continued on page* 47)

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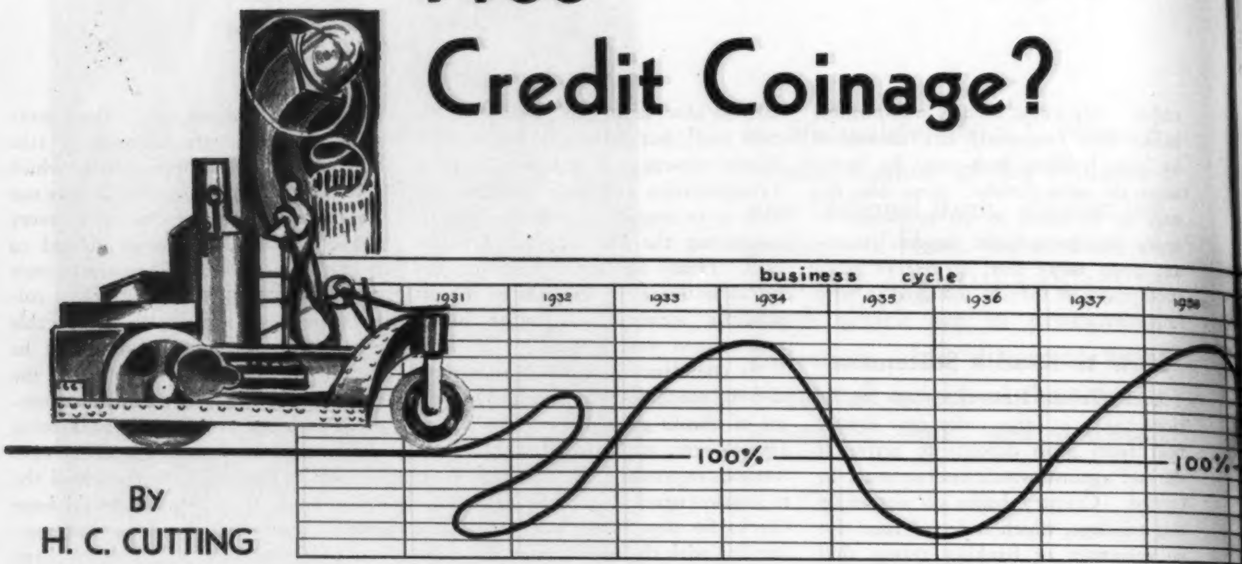
Free Credit Coinage?



BY
H. C. CUTTING

Will free credit coinage and a change of thirty words in the Federal Reserve Statutes make a steam-roller of constructive force that will flatten out the valleys and mountains of our business cycle and give us a sound, stabilized financial and business future?

BECAUSE business recovery in most lines from the 1920-21 slump was rapid, it has been quite generally supposed that business would rally from the 1929 slump with the same vitality. President Hoover in his address to the United States Chamber of Commerce on May first expressed the idea that the trough of the wave of depression had passed and that we could look for a rapid return to prosperity.

Despite the co-operation of our business leaders and the pushing forward of public work, our return to a prosperous condition is not noticeably rapid. The trend seems still to be in the opposite direction. Even should a forced construction program relieve the situation, it could be considered only as a stimulant and not as a cure for this most recent depression in the "Business Cycle".

The President in the same talk said that he believed the Business Cycle to be a curable disease and the discovery of a remedy not beyond the genius of the American people. This viewpoint is hopeful and well justified by past achievement.

Our industries are developed to such a degree that the whole world is eager to copy our methods. We have vast wealth. We hold a dominant position financially and economically. Our people are virile and industrious, and our land one of plenty. We possess every essential for perfect economic health and a continued and ever increasing prosperity. Therefore, booms and slumps are a sure indication of a maladjustment in our social organization.

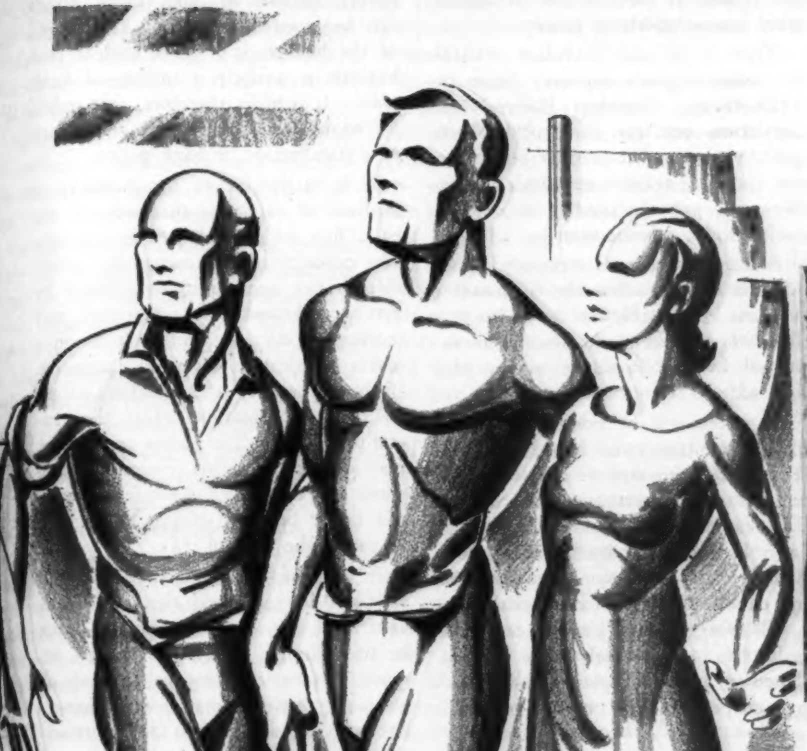
This Business Cycle malady is by no means a new disease. Serious attacks have occurred almost every ten years with minor afflictions in between. There is no lack of data on pathologic conditions or on remedies applied or proposed. Nine years ago a serious study was made of business cycles by a committee under the chairmanship of Mr. Hoover, then Secretary of Commerce, and much valuable data is to be found in the committee's published report. The recurrence of the disease would suggest, however, that the remedy offered by that committee was not specific, or that the patient did not follow prescriptions.

This nation will recover from its illness just as a man recovers from a physical illness. What we are eager to know is: how can we hasten that recovery and also how can we prevent a relapse or a new attack of the same disease?

President Hoover says: "All slumps are the inexorable consequences of the destructive forces of booms". The boom is the fever of the Business Cycle and the slump is the exhaustion after the fever breaks.

A boom, or fever period culminated in 1920. The necessity for great production during the war and the subsequent reconstruction period had brought on the business boom. After the armistice it became an increasing source of anxiety to those who manage our financial institutions. No action of the Federal Reserve could stabilize prices and the board experienced considerable difficulty in maintaining reserve requirements. This fact, coupled with a steady fall in the purchasing power of the dollar and wild inflation in other countries, was a source of great worry to our financial powers. The problem was to stop inflation without suffering the consequences of deflation.

One result of inflation was a very rapid rise in the standard of living. Working men were wearing silk shirts and almost every one was buying automobiles, which but a few years before



"Free credit coinage will bring a ruddy glow of economic health to a genuinely free people, blessed in a land of plenty and enjoying and promoting a progressive civilization."

had been considered a great luxury. The instalment selling plan which had just become well established changed the status of the car from that of a rich man's toy to a necessity of life. Much ado was made about the extravagance of the times.

The situation was the antithesis of conditions in the early '90's during Cleveland's administration. Then we suffered from low prices, low wages and the low cost of a very poor living. In 1920, our trouble was extravagance, high wages and the High Cost of Living.

A Public Utility?

The financial powers, after conducting a campaign against extravagance and the high cost of living, finally singled out the automobile as the insignia of extravagance, and about July 1, 1920, sent out word to member banks that the paper of banks discounting automobile notes would no longer be available for rediscount at the Federal Reserve Banks.

The partial payment plan had become so general after the automobile dealers had secured insurance companies to insure cars against fire, theft, conversion and collision that almost all sales were made on that basis and all banks were discounting the notes. Through this selling plan the automobile industry stepped to the front rank.

Inflation caused a great many banks to extend their business to a point where they did not dare jeopardize their discount privilege with the Federal Reserve. So the word from the Board against the discounting of automobile paper was a command. The automobile dealer awoke suddenly to the fact that, while he was behind in filling his orders for cars, he had no market for his paper.

With no one to discount the notes he received for his goods the dealer had to discontinue the instalment selling plan.

The slump will long be remembered by those who went through it. It shut down practically every factory within six months.

When the slump came it was wrongly attributed to overproduction. It was said that the saturation point had been reached. Had that view of the situation been correct recovery would have been extremely slow; which was not the case. Within less than a year the industry was making greater strides than before the slump and has continued at a much higher level ever since. That fact definitely disproves the overproduction theory.

The slump was caused entirely by the shrinkage in volume of the medium of exchange used in carrying on the automobile trade. The selling plan was about 25 per cent. down and 75 per cent. notes, so, when the banks refused to discount the notes received by the dealer, they destroyed approximately 75 per cent. of the medium used in carrying on that business. At that time there was no other discount market for automobile paper.

Financing Corporations Formed

The fact that the recovery of the trade was not attributable to the finding of new markets for automobiles but entirely due to the establishment of new markets for the notes, proves the above statement. Financing corporations were formed for the purpose of handling the paper the banks refused, and the automobile trade recovered almost as rapidly as it had slumped. There can be little doubt that the slump was due to a change in bank policy, and the recovery to a counteraction of that policy by the establishment of financing corporations.

It was the general introduction of the instalment selling plan for all kinds of goods that enabled this country to recover so readily from the 1920-21 slump. The credit created by the financing corporations supplemented bank credit, which is our medium of exchange. In a large measure it was an antidote for deflation. The quick recovery and the degree of prosperity in the United States for the last nine years was not enjoyed in countries where the plan was not adopted.

Instalment buying, however, cannot be looked upon as an unmixed blessing or as a remedy. Having been exploited to the last degree it has now lost its potency. It is like a drug that stimulates but does not sustain. Not only has it lost its force but it has diminished our recuperative powers.

There is no such stimulant available to insure a quick recovery from the 1929 slump. President Hoover's call for a co-operative construction program was intended as such but it can not prevail against economic forces. We must pay the penalty of our last jag or find a genuine remedy.

Fortunately there is a remedy. When adopted it will solve the outstanding problem and enable us to realize the ideal of our economic system as expressed by the President in his May first address.

Its effect will be immediately stimulating but it is a real remedy and will remove the basic flaw of our social system. It will exterminate the microbe that causes the Business Cycle, our Farm Problem, our Bank Failures, our Wall Street Slumps, our Unemployment and our Concentration of Wealth, and it will bring a ruddy glow of economic health to a genuinely free people, blessed in a land of plenty and enjoying and promoting a progressive civilization.

The simplicity of the remedy is so out of proportion to the complexity of the problem and the result will be so much superior to our present practice and business arrangements that many questions will undoubtedly arise and many doubts will be expressed. It will be shown, however, that the remedy is sound in every deduction and proof against every attack.

Bank Policy Causes Slump

Enough has been said to make it clear that the 1920-21 slump was due entirely to a change in bank policy. It may not be possible to trace so clearly the changes which have been immediately responsible for other slumps, *yet, it is a safe statement that all slumps and all booms are caused by a change in bank policy.*

Can it be doubted that the condition of business is a matter of bank policy when more than 95 per cent. of all our business is carried on by the use of bank credit as the medium of exchange? Bank credit constitutes more than 99 per cent. of our money. The government issues our small change but the banks issue our real money by making loans, discounting notes, etc. Since the availability of money controls business and the volume of the medium of exchange determines the value of the dollar, if 99 per cent. of the country's money consists of bank loans, which can be granted or refused at the will of the banker, it is quite evident that business is entirely a matter of bank policy. It is plain, therefore, that stability of business must come as a result of a stabilization of bank policy.

It is in the use of a commodity as medium of exchange that we find the basic flaw in our whole social system. The quantity of any commodity available in any community is affected by many conditions. Its production may increase or decrease and as it becomes scarce or plentiful its value fluctuates. If the commodity is the medium of exchange its fluctuations affect the general price level. The money commodity may also be controlled or cornered, and when that happens the whole commercial fabric becomes subject to the will of those who control it.

A unit of exchange that will not fluctuate in value and that cannot be controlled by a money-power must be an unlimited medium. It must respond automatically to the demands of business, which is a matter of exchange. Exchange consists of two factors, transportation (to move the goods) and money (to transfer the ownership and command services). If either factor is limited or can be controlled by anything but the demands of business, the community suffers.

Public Control Bases

The recognition of this fact in the case of transportation brought about the Interstate Commerce Act. By that act the railroads were put under public control and now transportation facilities are available to all on the same terms. Making the coinage of money an exclusive government act was an attempt to apply the same principle to the medium of exchange, but since government-issued money has always been a commodity or a promise to pay that commodity, its volume has always been subject to fluctuation and private control.

Let us see now how bank credit is created with all kinds of property as security. If bank loans can safely be made an undeniable right when proper security is offered, their issuance will give us a medium of exchange limited only by the wealth of the community. If so, with a proper system of public control of bank credit the basic flaw in our social organization can be removed. Trade facilities will then be freed both of commodity limitation and private control. Money volume

will respond to the demands of business and will be available to all on the same terms. The door of equal opportunity will be open and freedom of initiative will be secured.

Before presenting a plan for the public control of bank credit some common misunderstandings of the function of the bank should be cleared up.

In the first place banks lend money only in theory but not in practice. They do not lend their own money nor their depositors' money. They lend their credit. When a customer secures a loan from a bank he hands over his note and his security and receives a credit for a deposit. The theory is that he has been handed the money by the paying teller and has deposited it with the receiving teller, but the fact is it is not a money transaction in the sense in which the word money is generally used. It is an exchange of credit between the customer and the bank. The customer exchanges his private and unknown credit for the bank's known and commonly accepted credit. *In reality it is the minting of private credit into bank credit which is our money.* The deposit is circulated by means of checks which call for a money payment, but over 95 per cent. of them are never cashed. They are cleared and remain bank deposits under different names.

Private Property Coinage

A bank loan is in effect exactly like the coinage of gold bullion at the mint. It turns private property into the coin of the realm. This usurpation by the banks of a most important government function enables us to remove the fundamental flaw from our economic system. If we will apply to bank credit the same principles of public control that are applied to the mint and other public utilities, it will become a perfect medium of exchange, free from the inherent weakness of commodity money.

Gold has the right of free coinage at the mint. Anyone can take gold bullion to the mint and demand that it be coined into money. Any other arrangement would be inconsistent with democratic principles. Why should not the same principle of free coinage be applied to the bank? "Free coinage" does not mean that the service is performed without charge, but that all possessors of gold have the right to have it turned into money. Why should not all possessors of good security have the right to have it turned into money at the bank? *Since the bank has usurped the functions of the mint, it certainly is a public utility and should be treated as such.*

Our problem now narrows down to the proposition of a practical and safe method of public control for bank credit. A means must be found whereby public agencies can do what the banker now does privately. We must have a public appraisal of all property which can be accepted as security for a bank loan. The amount of the loan, that is, the ratio of loan to value of security must be fixed by a public means and the rate of interest and terms of the loan must be determined by the same agency.

There are two kinds of property, personal and real. We have in use now a public means of appraising personal property that is entirely satisfactory. It is accepted by everyone and has not been improved upon. It is the price set in our public markets where almost every kind of personal property which may become security for a bank loan is sold every day. These prices are published in the market reports and are accepted for all purposes. For manufactured articles price lists and discount sheets of manufacturers are available. Nothing more is needed for the appraisal of personal property and it is not proposed to enlarge the present scope of the bank in that regard.

Property Assessments

For real estate we also have a public means of appraisal, but it is not accepted with the same degree of confidence as the market reports and will require some adjustment. Every city and county in the country has an assessor whose business it is to appraise all property for tax purposes. This officer is in a peculiar position. While the law commands him to assess all property at its true value, no method of ascertaining the true value has ever been adopted, and all property owners are against him. They want to keep the value of their property down in the assessor's office and up at the bank. By making the assessed value also the appraised value for bank loans the borrowers at least would be swung to the side of the assessor. They would want high assessments for borrowing purposes while the non-borrowers would still clamor for low ones to save taxes.

A practical means of bringing borrowers and non-borrowers together and compelling them to assess their own property will bring out the consensus of opinion of the community regarding all values and these will be the true values. Such an arrangement requires a very slight change in our tax laws and no expense.

In all the states the assessment laws provide for an appeal from the assessor's figures to some power of equalization, when the property owner is dissatisfied with his assessment. If a provision were made for a further appeal from the decision of the board of equalization and it were provided that when an appeal is taken, the clerk of the board of equalization shall call in a jury of property owners who must be owners of the same kind or a similar property in the neighborhood of the property to be appraised, the decision of that jury could be accepted as final.

Safe Property Appraisal

The most eloquent advocate in the world, self interest, would be pleading with each juror for a fair decision. The borrowers would be "Bulls" and the non-borrowers would be "Bears". A very few jury adjustments would produce the consensus of opinion of the community regarding value, and that would be the true value.

By this simple adjustment in our tax laws we would have not only a safe appraisal of real property for bank loans but also a perfectly just assessment for tax purposes. No one could be favored or punished through political inefficiency or dishonesty. The individual element would be entirely discarded. Nothing could prevail against the self interest of that jury.

With a safe system of appraisal for both personal and real property, the next step is to establish the amount that can be loaned on the security offered. A schedule of ratios of loan to value could be left to the Federal Reserve Board, and that board would also fix the rate of interest and the terms of the loan. The Board's schedule and rules would no doubt follow the present banking practice as closely as possible.

All banks should be compelled to join the Federal Reserve system so that they will come under the rules laid down by the Board. Sec. 8 of Article I of the Constitution says, "The Congress * * * shall coin money and regulate the value thereof." And Sec. 10 of the same article denies that privilege to the states. The money issuing power, then, is reserved exclusively to the Federal government. But we find the banks are issuing our money and regu-

(*Continued on page* 49)

Nation-Wide Collection and Sales Conditions

WHAT THEY ARE AT PRESENT

THE OUTLOOK FOR THE NEAR FUTURE

CREDIT MONTHLY offers its fifth monthly survey of Collections and Sales Conditions. This survey is based upon reports from cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country.

■ This is the fifth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit Monthly.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities reporc a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT MONTHLY. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	COLLECTIONS Good	COLLECTIONS Fair	COLLECTIONS Slow	SALES Good	SALES Fair	SALES Slow
Alabama	Birmingham			Slow			Slow
	Montgomery			Slow			Slow
Arizona	Phoenix			Slow			Slow
Arkansas	Fort Smith		Fair			Fair	
	Little Rock			Slow		Fair	
California	Los Angeles		Fair			Fair	
	Oakland		Fair			Fair	
	San Francisco			Slow			Slow
Colorado	Denver		Fair			Fair	
	Pueblo		Fair			Fair	
Connecticut	New Haven			Slow		Fair	
Dis't of Col.	Washington			Slow			Slow
Florida	Jacksonville			Slow		Fair	
	Tampa			Slow		Fair	
Georgia	Atlanta			Slow			Slow
Idaho	Boise			Slow		Fair	
Illinois	Chicago			Slow			Slow
	Decatur			Slow			Slow
	Galesburg		Fair			Fair	
	Peoria		Fair				Slow
	Rockford			Slow			Slow
Indiana	Evansville		Fair			Fair	
	Fort Wayne		Fair			Fair	
	Indianapolis			Slow			Slow
	South Bend			Slow		Fair	
	Terre Haute			Slow			Slow
Iowa	Cedar Rapids	Good				Fair	
	Davenport		Fair			Fair	
	Des Moines			Slow		Fair	
	Ottumwa		Fair			Fair	
	Sioux City			Slow		Fair	
	Waterloo	Good					Slow
Kansas	Wichita		Fair			Fair	
Kentucky	Lexington			Slow		Fair	
	Louisville		Fair			Fair	

State	City	COLLECTIONS Good	COLLECTIONS Fair	COLLECTIONS Slow	SALES Good	SALES Fair	SALES Slow
Louisiana	New Orleans			Slow			Slow
	Shreveport			Slow			Slow
Maryland	Baltimore		Fair			Fair	
Massachusetts	Boston		Fair			Fair	
	Springfield			Slow		Fair	
	Worcester		Fair			Fair	
Michigan	Detroit		Fair			Fair	
	Flint			Slow			Slow
	Jackson			Slow			Slow
	Saginaw			Slow			Slow
Minnesota	Duluth		Fair			Fair	
	St. Paul		Fair				Slow
Missouri	Kansas City			Slow		Fair	
	St. Joseph			Slow			Slow
Montana	Billings		Fair			Fair	
	Great Falls			Slow			
	Helena			Slow			Slow
Nebraska	Omaha			Slow		Fair	
New Jersey	Newark		Fair			Fair	
New York	Albany		Fair				Slow
	Buffalo		Fair			Fair	
	Elmira			Slow		Fair	
	New York		Fair				Slow
	Rochester		Fair			Fair	
	Syracuse		Fair			Fair	
	Utica		Fair			Fair	
North Carolina	Charlotte			Slow		Fair	
	Greensboro		Fair				Slow
North Dakota	Fargo		Fair			Fair	
	Grand Forks		Fair			Fair	
Ohio	Cincinnati			Slow		Fair	
	Cleveland			Slow		Fair	
	Columbus			Slow			Slow
	Dayton			Slow			Slow
	Toledo			Slow			Slow
Oklahoma	Oklahoma City			Slow			Slow
	Tulsa			Slow		Fair	
Oregon	Portland			Slow			Slow
Pennsylvania	Allentown		Fair			Fair	
	Johnstown		Fair				
	Philadelphia			Slow		Fair	
	Pittsburgh		Fair			Fair	
	Reading			Slow		Fair	
	Scranton		Fair				Slow
	Wilkes-Barre			Slow		Fair	
South Dakota	Sioux Falls		Fair			Fair	
Tennessee	Chattanooga			Slow			Slow
	Knoxville			Slow			
	Memphis		Fair			Fair	Slow
	Nashville			Slow			Slow
Texas	Austin		Fair				Slow
	Dallas		Fair			Fair	
Utah	Salt Lake City		Fair			Fair	
Virginia	Lynchburg			Slow			Slow
	Norfolk		Fair			Fair	
	Richmond		Fair			Fair	
	Roanoke		Fair		Good		

See next page for Comments on Collections and Sales

State	City	Collections: Good	Collections: Fair	Collections: Slow	Sales: Good	Sales: Fair	Sales: Slow
Washington	Bellingham			Slow		Fair	
	Tacoma		Fair			Fair	
West Virginia	Bluefield		Fair			Fair	
	Charleston			Slow			Slow
	Clarksburg			Slow		Fair	
	Wheeling			Slow			Slow
	Williamson			Slow			Slow
Wisconsin	Fond du Lac		Fair			Fair	
	Milwaukee		Fair			Fair	

■ ■ COMMENTS ON COLLECTIONS AND SALES CONDITIONS ■ ■

ALABAMA: Conditions are unfavorable but an improvement is foreseen for the near future.

ARKANSAS: Collections and sales are slow, which is due, largely, to the extremely dry weather, this section having had no rain for two months, causing the crops to burn up.

CALIFORNIA: Both collections and sales are reported as "Fair". The city of Oakland shows an increase in sales but the surrounding territory shows a slight loss.

COLORADO: Reports from Colorado are very optimistic and an improvement in both collections and sales is anticipated.

CONNECTICUT: Sales have improved and are considered fair for this season of the year but there is a marked slowness of collections.

ILLINOIS: General conditions are unchanged. In some sections of Illinois collections are better than sales by far, although both have been reported as "Slow" to "Fair".

INDIANA: Sales show a tendency to increase and in the Fort Wayne section, a decided improvement is expected, due to new factories. Electrical lines here are picking up and within the next sixty days an improvement in the employment situation should be noted which will tend to help the collections.

IOWA: Conditions are not so good as they have been during the last thirty days, but would be in no way, considered "Slow". An improvement is expected within the next fifteen to thirty days inasmuch as the recent rain has helped relieve the drought.

KANSAS: There is very little improvement over last month's report of collections and sales inasmuch as the price of wheat remains at 60c and the price of cattle and oil has not increased. This is hurting business conditions in Kansas.

LOUISIANA: This section as a whole has had no rain since the floods in May. Corn crops are virtually a failure and hill-land cotton is suffering badly while river-land cotton is holding its own fairly well but is beginning to show signs of needed rainfall. Oil refinery operations curtailed on account of unsatisfactory market conditions. With the present price of cotton, prospects for this section are anything but favorable.

MASSACHUSETTS: Collections and sales are both improving and a decided improvement is expected in the fall.

MICHIGAN: Both collections and sales average from "Slow" to "Fair". The unemployment situation tends to slow up collections but a slight improvement has been noted. The anticipated increase of production in the Buick factory should stimulate both collections and sales in the near future.

MINNESOTA: Collections are on a par with last month and last year, but the sales are slowing up and are a little off from last year.

MONTANA: Conditions here are reported as "Fair" in general. Some improvement should be noted very soon, and gradually increase as the crops are harvested. Collections in the northern part of Montana are "Slow", due to the heat and lack of moisture which has caused the general crop conditions not to be up to standard.

NEW YORK: While this particular season is usually "Slow", conditions seem to be better and compare very favorably with last year. A decided change is foreseen after August. A lumber and (*Continued on page 51*)

CHANGES SINCE LAST MONTH

State	City	Collections	Sales
Arkansas	Little Rock	Fair to Slow	
California	Los Angeles		Slow to Fair
	San Francisco	Fair to Slow	
Colorado	Denver		Good to Fair
Connecticut	New Haven	Fair to Slow	
Florida	Jacksonville		Slow to Fair
Illinois	Peoria	Slow to Fair	
	Rockford		Fair to Slow
Indiana	Evansville	Slow to Fair	Slow to Fair
	Fort Wayne	Slow to Fair	
	South Bend	Fair to Slow	
Iowa	Cedar Rapids	Fair to Good	
	Ottumwa	Good to Fair	
	Waterloo	Fair to Good	
Louisiana	New Orleans	Fair to Slow	Fair to Slow
Massachusetts	Worcester	Slow to Fair	Slow to Fair
Michigan	Saginaw	Fair to Slow	Fair to Slow
Minnesota	St. Paul		Slow to Fair
Missouri	Kansas City		Slow to Fair
Montana	Helena		Fair to Slow
Nebraska	Omaha	Fair to Slow	
New Jersey	Newark		Slow to Fair
New York	Albany		Fair to Slow
	Buffalo	Slow to Fair	
North Carolina	Greensboro	Fair to Slow	
Ohio	Columbus		Fair to Slow
Pennsylvania	Johnstown	Slow to Fair	
	Philadelphia	Fair to Slow	
	Pittsburgh	Slow to Fair	
	Scranton		Fair to Slow
Tennessee	Knoxville	Fair to Slow	Good to Fair
	Nashville		Fair to Slow
Virginia	Roanoke		Slow to Good
West Virginia	Wheeling		Fair to Slow
	Williamson	Fair to Slow	Fair to Slow
Wisconsin	Fond du Lac	Slow to Fair	

INSURANCE DIGEST

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

Safeguarding the Farmer's Credit With Crop Insurance

The farmer is the customer of manufacturers, wholesalers, and banks, whose prosperity is in a measure dependent on his. Credit managers will therefore be interested in a bill which has lately been passed by the Senate and is pending in the House of Representatives providing for a thorough investigation of the question of crop insurance by the Secretary of Agriculture.

This bill would establish a special section of the Department of Agriculture which would gather economic and statistical data about the organization and methods of writing crop insurance here and abroad. The bureau would gather all the information necessary to measure the natural and economic hazards involved in crop production, such as crop yields, crop damage and climatic conditions, and would devise methods of writing crop insurance based on the data gathered.

This bill is the result of many years' work by groups interested in crop insurance as a means of safeguarding the farmer's economic position.

Offsetting Forgery Losses With Forgery Bonds

Losses from forgery and alteration of checks and other negotiable papers amount to almost a million dollars daily. No absolutely infallible method of preventing forgery has yet been discovered. 90 per cent. of forgery losses are borne by bank depositors, and only 10 per cent. by the banks on which the forged checks are drawn. These facts should make every credit executive conscious of the importance of forgery bonds as a means of protecting his own and his debtor merchants' checks.

The depositor who is not protected by forgery insurance has only one chance in ten of recovering his loss from the bank on which the forged or altered check was drawn. If the depositor brings legal action against the bank, the burden of proof falls upon him. The bank is safeguarded in many ways. For example, if the forgery is not discovered within a year, the bank is absolved from responsibility under the Negotiable Instruments Law. The depositor has very little chance of recovering his loss if he has accepted a series of forged checks returned by the bank, in which case the bank is liable only for the first check in the series; or if the evidence in the form of the cancelled check has been destroyed by a dishonest employee.

The Depositor's Forgery Bond protects a depositor against any of the above contingencies and relieves him of the necessity of going to law. It protects not only against forgery of checks, but also against forgery of other bankable papers such as notes and trade acceptances.

Automobile Accidents Will Exceed 36,000 in 1930

It is estimated that the total of automobile accidents during 1930 will be 10 per cent. greater than the 1929 total which was 33,060. The economic loss caused by these accidents will amount to $1,000,000,000, as compared with $850,000,000 in 1929. Automobile accidents will cause 1,000,000 or more non-fatal casualties this year, which will curtail the earning power of the million injured individuals.

These startling statistics emphasize the importance of health and accident insurance as a safeguard against loss due to incapacitation. Credit executives will make sure that their debtor merchants are fully protected against this contingency.

Insurance With Security
by P. D. Betterley
Graton & Knight Co., Worcester

One of the greatest enterprises today is Insurance, and that portion which pertains to property, liability and casualty risks is a tremendous factor in business management, while life and accident insurance occupy an increasingly prominent position. Insurance is a method of distributing infrequent, but serious losses among many; to indemnify unfortunate persons having interest in things of material value. Scarcely a dollar of assets is free from insurable risk.

The buyer of insurance should realize that he pays for losses; that rates are largely regulated by experience, then he will get the connection between the placing of insurance and the cost of casualties. The results will be less restrictive laws and large economic savings. Business management spends large sums for research; to check losses in various lines; to guard property

against mechanical damage, wear and tear, yet fails to control hazards, and often neglects insurance. Deliberate calculation should determine when and how much to insure rather than fear of the results of catastrophe. Ask any insurance agent what happens when a great loss occurs—he doesn't have to sell his insurance, he simply takes orders.

There should not be any mystery about insurance. It may be complicated, but it is understandable, and the need of protection is much amplified by modern business methods.

Few buyers take the trouble to study insurance, and buy it as they would merchandise or service, but take much for granted, believing they have full protection. The seller cannot know the requirements of changing business, therefore the owner must assume responsibility for the security of insurance purchased, and see that protection keeps pace with changes. It is an essential feature of business to maintain financial security; to have on hand working capital to replace property or earnings lost through unforeseen happenings. Insurance provides the means and the public is interested because of its investments and deposits. The buyer should procure such insurance as will adequately protect the assets of the business, or suffer irreparable losses in consequence. An insurance policy is no better than its net worth and it is a contract between two parties, therefore mutual understanding is its foundation. If it does not indemnify the victim of a loss fully, then there has been lack of understanding. There is little need for discrepancy, and intelligent application to the subject tends to develop preventative measures.

Policy standards have been set up to protect the great range of risks, but every buyer can, and should, secure a contract to fit the needs of his particular risk. Faithful observance of contract terms bring its own reward, for no insurance Manager can expect the benefits of a policy without meeting its obligations throughout the entire period. Co-operation with the insurer pays dividends in reduced premiums and liberal claim adjustments. All the protective devices available will not safeguard the insured when the risk is under control of individuals lacking knowledge and judgment as to their use, and adequate knowledge of insurance principles will provide management with insurance security.

Many complaints have been made that claims were not collectable, but losses are paid only when the terms of the insurance contract are complied with. Someone misunderstood a condition, failed to meet an obligation, or simply neglected a duty. Whatever the real cause, it is a safe conclusion that it might have been prevented and because of his contact, the insurance Manager holds the key to the situation.

We should always keep in mind ultimate ability to compensate all interested parties for losses sustained through our negligence. If the time of casualties could be pre-determined there would be little need for insurance. Eternal vigilance as the price of safety was never better exemplified than in the purchase and application of insurance.

Unemployment Insurance Plan Sponsored by General Electric Co.

Among the constructive measures devised to mitigate the distress caused by unemployment is the unemployment fund plan that has been worked out by the General Electric Company.

This plan applies the principle of group insurance to unemployment. Each plant unit in the organization decides for itself whether or not it will adopt the plan, and the company participates upon an affirmative vote of 60 per cent. or more of the employees of a particular unit.

Any employee with continuous service with the company of one year or more is eligible for membership. The participant agrees to pay into a trust fund approximately 1 per cent. of his actual weekly or monthly earnings for a period of three years, but only so long as his earnings are 50 per cent. or more of his average full-time weekly or monthly earnings.

In case of abnormal unemployment, normal contributions by participating employees will cease and all employees will be called upon to contribute. In other words, employees who are subject to lay-offs will aid themselves as much as possible, and when they can not longer do this, then those employees who are still working will contribute toward the aid of the men who were laid off. The General Electric Company will itself contribute to an extent equal to that of the participating employees.

Up to 3 per cent. of the funds paid into the trust will be available for the relief of employees or former employees in need; up to 27 per cent. will be available for loans to employees and the remaining 70 per cent. plus all interest on the funds will be available for unemployment payments.

A board of trustees will handle the funds, and the General Electric Company will guarantee 5 per cent. interest. The company will also pay the administration expenses for the first two years.

Advantages of Business Life Insurance for Safeguarding Partnerships

"Business needs life insurance to protect its interests fully as much as Mr. Average Man needs life insurance to protect his family," said George W. Smith, president of the New England Mutual Life Insurance Company in a recent address to the Boston Life Underwriters Association.

Mr. Smith feels that business men are not fully conscious of the advantages of safeguarding partnerships by means of business life insurance. He lists these advantages as follows:

1. Business life insurance pays indemnity for loss.
2. It pays indemnity at once and without discussion or adjustment.
3. It reinforces credit.
4. It protects endorsers
   a. Known—signor of corporation paper.
   b. Unknown—as a partner in an unlimited partnership.
5. It provides cash capital for purchase of deceased's business interest.
6. It provides a method by which a part owner of a business can make certain that his estate can liquidate his interest at par.
7. It provides inexpensive but important guarantees as additional compensation to valuable employees.
8. As an indemnity for loss it is not subject to Federal Income Taxes.

Six bank presidents signed the following endorsement of Business Life Insurance presented to them by Mr. Smith:

"Life insurance offers an effective and certain method of returning the interests of a deceased partner or stockholder without disturbing the continuity of a business. It has four outstanding factors of value: first, nominal cost, amounting usually to less than 3 per cent. annually of the principal to be retired; second, guaranty of the payment of the capital fund without delay; third, exemption from Federal Income Taxes; fourth, absolute security. These associated factors make business life insurance not only a sensible business procedure but an essential protection."

What It Means to Have a Good Credit Standing

(*Continued from page* 10)

power company for the electric current we have used so far this month, and for which we have not yet been billed, and we are creditors of our employers for that portion of our weekly or monthly salary which is earned but unpaid. Even the currency, the bills and the nickel and silver coins which we call "cash" are actually credit instruments. They represent a certain amount of credit on the Federal treasury. They are everywhere accepted at face value, because the credit standing of our government is unquestioned.

Uncle Sam's credit standing is A-1, but it had to be earned. The treasury pays its bill on the dot. It stands ready to redeem its notes in gold. It has gained the confidence of foreign powers, and of business men all over the world, by consistently meeting its obligations over a long period of years. The credit standing of an individual, or of a business concern, has to be established in exactly the same way.

Since we live in a credit age, and the establishment of a good credit standing is the first requisite for success, I believe you will be interested in a glance behind the scenes at the credit machinery which keeps the firms with which you do business informed regarding your credit responsibility.

Many people, including some business men, do not realize the speed and efficiency with which credit agencies register the changing credit standing of both individuals and business concerns.

Hundreds of retail credit bureaus all over the country have literally millions of cards on file regarding the paying habits of individuals. It is highly probable that there is such a card on file bearing your name.

Did you ever open a charge account? Do you remember all the questions that were asked you and possibly the references you were required to give? That procedure was necessary in order to give you a credit standing. If you have had such an experience, there is a card on file for you in the office of the credit bureau, and if your bills have been met with reasonable promptness, your credit standing is better now that it was in the beginning.

If the store with which you opened the account is a member of the credit bureau, the store's experience with you as a customer is on file, and is available to all the other merchants who are members of the bureau. If your credit record should become unsatisfactory, that information also would be available to the banks and business houses of your community, and your credit standing would suffer.

The credit rating of a business house is subjected to even closer scrutiny, because of the larger amounts involved. Credit interchange bureaus all over the country have on record the actual paying habits of merchants and other business men. That information is furnished by the wholesalers, manufacturers and banks with which the merchant does business, and is being constantly brought up to date.

This interchange of credit information is not restricted to any one city or state, for the bureaus are welded into a great national system. If a merchant in Illinois has fallen behind in his accounts with a manufacturer in Massachusetts, and should attempt for that reason to transfer his future orders to another manufacturer of the same product in Tennessee, he would probablv have his order turned down. The Tennessee manufacturer, having access to the interchange reports, would quickly find out all about the merchant's unsatisfactory dealing with the Massachusetts house, and would refuse to sell him on credit.

From this brief outline of the machinery by which credit information is gathered and disseminated, you can readily see that when a man, or a firm, fails to pay bills with reasonable promptness, his credit standing deteriorates.

Investment Shock-Absorber

Most of us will readily admit the truth of the old saying that "Honesty is the best policy," but honesty alone is not enough to insure one's credit standing. Even the most honorable man may be rendered unable to pay his bills through unforeseen circumstances, such as sickness, unemployment or financial reverses, unless he has a margin of saving or investment reserve.

Under the present credit order, a man must not only be honest, but he must be able at all times to pay what he owes. If he refuses to pay his debts, or if he is unable to meet maturing obligations promptly, his credit standing is impaired. Those from whom he would buy refuse to trust him. The bank is compelled to refuse credit. Then may come business failure, and a long, uphill climb to get on his feet again and to live down the mistakes of the past—to re-establish his credit standing in the community.

There is a very true saying that "The only way to get rid of a past is to make a future of it." The man who has allowed his credit standing to deteriorate through carelessness, or whose credit standing has been injured through adversity, can build it up again by meeting future obligations promptly and satisfactorily. And it should always be borne in mind that the best way to insure your credit standing, to guard against any unfavorable marks on your credit record, is to build up an investment reserve in sound securities as a margin of safety. The man who has put part of his earnings in gilt edge bonds or stock has demonstrated to the world that he has had the character to save; that he has had the character and vision to establish a "shock absorber" to safeguard his credit.

However, just a word of caution: If you are ill, consult a physician and not a quack; if you need protection for your person or property, consult an attorney and not a shyster; if you have savings to invest, be sure you buy sound securities from a reputable investment house, and not blue sky issues promoted by predatory racketeers.

You Cannot Operate Unless You Co-operate!

(*Continued from page* 14)

dress our hunters in red caps and coats to make them easier to hit,"—and when a merchant says "I cannot take time to determine properly whether a customer is a sound credit risk—the other fellow will sell him if I don't, competition is too keen these days," he is donning the red cap and red coat of the "easy to hit type." He is helping to produce business mortality in his own field of endeavor that may result in his own failure as well as that of his customer. Therefore, in many instances, failures can be traced to a lack of co-operation.

Business troubles, like the poor, will be with us always, yet by co-operative effort they can be minimized. One of the first steps toward this end is a national business service, the personnel of which will act as an intermediary between the fortunate and the unfortunate classes of merchants, helping the unfortunate merchant before he falls over the precipice.

It takes considerable moral courage to advise creditors that they must put more of their good money into the business of the unfortunate type of debtor

in order to save both parties concerned. It takes the same type of moral courage on the part of the creditor to fulfill such an agreement, but by the power of co-operation through the medium of a national business service, business troubles can be minimized and much good accomplished.

Do I Co-operate?

Ask yourself, "Am I co-operative? Do I possess the necessary qualifications? Do I in blind greed help increase business mortality, thereby eventually hurting myself? Do I admit a moral responsibility to my fellow man through co-operative effort?"

Investigate before you invest in a new customer. Understand the problems of your old customers. The credit fraternity of the country must guard the responsibility placed upon them by facing their problems honestly. If they do, the reward is theirs—waiting to be garnered, in protecting and more strongly building the economic structure and leadership of the country.

Profit Vanishing Point in Accounts Receivable

(*Continued from page* 16)

the period, equals the profit vanishing point:

EXAMPLE: Let $5,000.00 equal the net profit on Accounts Receivable and $1,250.00 equal the cost of getting in the money for 30 days.

Question: In how many days will the profit vanish?

Answer: $5,000.00 x 30 ÷ $1,250.00 = 120 days or four months.

Here is how the Gamlen formula works out on a percentage basis:

EXAMPLE:

Let the net profit on Accts. Rec. equal 4½%

Let the cost of getting the money for the period equal 1½%

Question: When will the profit vanish?

Answer: 4½ x 30 ÷ 1½% = 90 days, or 3 months.

Why Wait Until Profit Vanishes?

The next question which comes to our minds is: Why wait until the profit vanishes? And, where shall we draw the line? Providing there are no special circumstances in the case, is there any reason why a merchant should allow an account to remain unpaid until the profit vanishing point has been reached? Supposing every customer took that length of time to liquidate his account, what then? The factors that determined the profit vanishing point the previous month would change so rapidly that there would soon be no profit to vanish, assuming, of course, that the proportion of charge business to the total business was large.

It is for the merchant himself to determine the policy for his own particular business. What percentage of net profit should he expect from the average account? Suppose for a moment a merchant is in the retail business and his average net profit is three and one-half per cent. of his net sales. This same average percentage is carried on his accounts receivable.

If now the costs of getting in his money are one and one-half per cent., and if the merchant will be satisfied with two per cent. net profit instead of three and one-half per cent. he must collect his account not later than the thirtieth day. If the account runs to the seventieth day he has lost every cent of profit and the loss begins.

Once the profit vanishing point has been reached, it is self evident that the loss on an account will increase at the same rate that the profit vanished. The same law that took away the profit with such unerring accuracy, now proceeds to create a loss;

it is relentless in its operation. Here is an axiom of Euclid with a vengeance. The loss is measured by exactly the same rule that was used to find the profit vanishing point. For example:

Let an Account Receivable equal $100.00
Let the average net profit equal 4%
Let the costs of getting in the money equal 2%

At the end of 60 days every cent of profit will have vanished, and a loss of two dollars each month thereafter will be piling up—nearly seven cents a day.

It is obvious that the losses incurred on accounts after the profit vanishing point has been reached must in the aggregate reduce the profit earned on Accounts Receivable that were paid before that point was reached. If, therefore, the merchant desires that each account shall be profitable, and providing that the account is collectible, what course must he pursue to keep it profitable, and how much profit shall he get from that account? It has been demonstrated that the average net profit on an account can be determined, and that the average cost of getting in the money can be made known. It has also been proved that when the foregoing information is available, we can fix with unerring accuracy the profit vanishing point in number of days. The issue is now perfectly clear. If the merchant waits until the profit vanishing point has been reached, and the account is paid on that day, he will break even on the transaction. His expenses will be covered but he will receive no profit on the deal. If the account is not paid until thirty days after the vanishing point has been reached, a loss has been incurred equivalent to the percentage cost of "getting in the money." Let me give you an example:

Say an account for $100.00 is paid 30 days after vanishing point has been reached.

Say the average costs of getting in the money were 1¾ per cent.

The merchant has sustained a loss of $1.75. This is equivalent to 21 per cent. per annum.

The startling thing about the loss in this example is its percentage to the amount involved, for it is equivalent to 21 per cent. per annum. If the costs of getting in the money were two per cent. per month, then the annual cost would be equal to 24 per cent. Three per cent. costs per month would be thirty six per cent. per annum, and so on, depending entirely on the monthly costs divided by the total accounts receivable, which gives the monthly resultant percentage.

One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

MAY, 1930

Case	Individual	Charge	Sentence
Arthur Weber & Co. New Haven, Conn. (dress & knit gds.)	Weber, Arthur Meline, Irving Bachman, Irving	Concealment of assets and conspiracy	30 days—$300. $300. fine $300. fine
Troy Silk Co., Paterson, N. J.	Steinberg, Morris	Issuance of a false statement	Suspended sentence, probation
Manhattan Novelty Co. New York City (Mfr. novelties)	Lewis, Ben A.	Issuance of a false statement	60 days
Bernard D. Meyer, New York City (Men's shoes)	Meyer, Bernard D.	Issuance of a false statement	Sentence not yet imposed
Rose Thomas, tdg. as The Vogue, Roseboro, N. C.	Thomas, Rose	Use of mails to defraud	1 year and 1 day at Alderson, W. Va.
Max Kaufman & Son, Boston, Mass. (Jewelry)	Glunts, Peter	Conspiracy to conceal	Suspended sentence of 1 year and 1 day and was permitted to resign from the Federal Bar
James Fleming, Baltimore, Md. (Salesman)	Fleming, James	Use of mails to defraud	2½ years in the Atlanta Penitentiary
S. Tripi & Company, Rochester, N. Y. (Meat market)	Tripi, Simone Arena, Rosareo Alaimo, Mariano Alaimo, Joseph	Conspiracy to conceal Conspiracy to conceal Conspiracy to conceal Conspiracy to conceal	Four months, Monroe County Penitentiary Four months, Monroe County Penitentiary Four months, Monroe County Penitentiary Four months, Monroe County Penitentiary
Surkin & Portnoy Co. Chicago, Illinois. (groceries)	Surkin, Samuel Portnoy, Mandel	Conspiracy to conceal assets Conspiracy to conceal assets	Fined $1,000.00 Fined $1,000.00
Verne Woolsey, tdg. as Woolsey Music Co., Fort Scott, Kans. (Musical instruments)	Woolsey, Verne	Vio. Postal Laws	2 yrs. Leavenworth Penitentiary
Sophia Abrahams Cleveland, Ohio (Clothing)	Abrahams, Sophia	Concealment of assets	1 hr. in the Custody of the Marshal
Sam Rubin, tdg. as Queen Cloak Co., Chicago, Illinois	Komis, J. Rossi, John	Conspiracy to conceal assets Conspiracy to conceal assets	(Deferred) (Deferred)
Great Lakes Tire & Rubber Co., (tires) Detroit, Michigan	Miller, Lester E. Hold, Lester D.	Conspiracy to conceal assets Conspiracy to conceal assets	6 yrs. Leavenworth Penitentiary and fined $500.00 Fined $1,000.00
Dave Fox Cleveland, Ohio (Machinery)	Fox, Dave	State Violation (Forgery)	8 Months Warrensville Workhouse
C. E. Curry Ardock, N. Dakota (Meats)	Curry, C. E.	False statement	90 days Grafton Co. Jail
Shatzman Grocery Co. E. St. Louis, Ill.	Shatzman, Ben	Concealment of assets	60 days Saline Co. Jail

Total of 953 Convictions from June 1, 1925 to May 31, 1930

The average store does not charge interest on overdue accounts, and it is plainly seen that bank interest is not equivalent to the costs that eat away the profit. Bank interest would help to extend the profit vanishing point if it were added to the account, say 30, 60 and 90 days before the profit-vanishing point is reached. The following example may help to make this point clear:

Let an Account Receivable equal $100.00
Let the profit vanishing point equal ....120 days
Let the bank interest rate be charged each month at 6% per annum .... ½%
Let costs equal 2%

Question: On which day would the profit vanish?

Answer: 160 days. The loss thereafter would be $1.50 a month—18 per cent. per annum.

Knowing the vanishing point of profit in an account, and the loss incurred each month thereon until the account is paid, cannot help but stimulate the merchant to get a better collection turnover. Many of the fore-

most retail department store credit men state with definite assurance that a higher rate of collection turnover produces a larger volume of business, and give facts and figures to support their arguments. Assuming, however, that a higher rate of collection turnover does not change the volume of business, it does release working capital and thereby has a tendency to increase net profit. What is desirable in a business that extends credit to its patrons, other things being equal, is to find and keep that perfect balance of collection turnover that produces the greatest volume of sound business with the minimum of expense. What that perfect balance is can be determined only by a careful study of the facts in each case, and it is questionable if anything could be of greater assistance to the merchant in finding the correct percentage of collections to strive for than knowing the length of time he can carry an account on his books at a profit and what that profit is. To carry an account too long is like putting "your money into a bag with holes." To produce profit is one thing; to retain it after it has been produced is quite another thing and requires no less skill.

Blanket Fidelity Bonds

(*Continued from page* 18)

tions have been responsible for very heavy dishonesty losses. But aside from that, if you were covering a factory under a fire insurance contract, you would never dream of merely covering a part of the building; you would protect the entire plant. And this same line of reasoning should follow through in the case of Dishonesty Insurance. You must be aware of the fact that no system has ever been devised to keep men honest. We are confident that the test of time will prove that Primary Blanket Fidelity Bond protection is not only by far the most desirable, but also the most economical. It has been proven repeatedly that employers under the old method of bonding employees *by selection* met with very indifferent success in guessing at who should be bonded and for how much. In this respect, permit us to invite your attention to the following list of losses in excess of bond amounts, reported to the Hartford Accident and Indemnity Company during the calendar year 1929 *only*.

Employer	*Insured's Loss*	*Amt. of Bond*
Bank	$ 1,300.00	$ 500.
Bank	108,520.74	1,500.
Grain Merchant	5,050.00	1,500.
Milling Company	1,318.50	1,000.
Mercantile Company	700.00	500.
Investment Association	$ 5,488.74	$ 2,500.
Milling Company	808.13	500.
Bank	12,500.00	5,000.
Grain Elevator Company	3,742.56	2,000.
Bank	100,000.00	20,000.
National Bank	146,600.00	50,000.
National Bank	29,108.90	25,000.
Building Association	19,528.66	1,000.
Packing Company	11,578.21	5,000.
Adding Machine Company	5,769.63	5,000.
Washing Machine Company	2,129.25	1,000.
Building and Loan Assn.	136,500.00	11,000.
Fraternal Order	6,653.96	6,000.
Slicing Machine Company	512.00	500.
National Bank	8,757.00	5,000.
State Bank	15,156.50	15,000.
Lumber Company	3,219.62	1,000.
Copper Company	$ 4,511.19	$1,000.
State Bank	75,000.00	5,000.
State Bank	43,173.37	5,000.
Mercantile Company	2,250.00	500.
Fruit & Produce Company	741.50	500.
State Bank	19,000.00	1,500.
Range Company	4,765.00	2,500.
National Bank	20,000.00	6,000.
Stock Broker	5,801.25	2,000.
Book Shop	804.91	500.
Milling Company	683.00	500.
Public Utilities Company	1,200.00	1,000.
Bank	11,124.00	2,500.
Lumber Company	2,056.45	1,000.
Life Insurance Company	9,000.00	5,000.
Credit Corporation	1,800.00	225.
Loan Company	1,198.79	1,000.
Paper Company	1,622.03	1,000.

(*Continued on page* 43)

The Business Library is the window through which you may see the panorama of business progress and development.

**Conducted by Frank A. Fall, Litt. D.
Director of Education and Research
N. A. C. M.**

THE BUSINESS LIBRARY

A New Beckman

CREDITS AND COLLECTIONS IN THEORY AND PRACTICE (Second Edition). Theodore N. Beckman. McGraw-Hill Book Co., Inc., N. Y. 1930. 599 pp. $4.00.

The author of this standard text is known to many credit managers, not only on account of his writings on credit subjects but also because of his frequent attendance at credit meetings and conventions and his membership in the Research Advisory Council of the National Association of Credit Men.

The second edition represents a general revision and the addition of considerable material that is entirely new. The discussion of retail credit has been greatly expanded and there are two new chapters on instalment credit, one on credit limits, one on methods of controlling credit and collections, and a list of questions and problems at the end of each chapter.

In the study of credit limits, Dr. Beckman may fairly be rated as a pioneer. Chapter XXXII, which is devoted entirely to this subject, will well repay the careful examination of credit managers, particularly since this topic is given little or no attention in most of the texts on credit and collections. Prevailing methods of establishing credit limits are, in the author's opinion, inadequate. Regardless of views to the contrary, he believes that it is possible to calculate limits mathematically and on a scientific basis, although it is not imperative that the figures be, in all cases, absolutely exact.

In his chapter on "Instalment Credit Management," Dr. Beckman stresses the importance of insisting that the buyer comply fully with the provisions of the sales contract. When a customer becomes delinquent for a considerable period of time, depreciation is likely to reduce the value of the purchased article to a point where the buyer's equity is entirely wiped out. Under such conditions he will not resent or resist any attempt at repossession. An efficient collection system will do much to keep at a minimum the percentage of repossessions and the consequent losses due to bad debts.

The concluding chapter, "Credit and Collection Indexes and Control Records," contains much information that will be valuable to the credit fraternity. In discussing the cost of carrying accounts receivable, Dr. Beckman suggests that much light could be shed on the policy of charging interest on overdue accounts, on the construction of terms of sale, and on other important credit and collection policies, if more knowledge were available concerning the cost of operating on a credit basis and of carrying receivables on the books. Bad debts afford one such measure, but there are other expenditures the total of which normally far exceeds all losses from bad debts. These include interest on outstandings, bookkeeping and other credit and collection expense including fees and dues for credit information and for outside assistance in making collections, cost of credit and collection correspondence, and departmental salaries.

Dr. Beckman concludes that while numerous estimates have been made from time to time as to the cost involved in operating a credit department, most of them have proved unreliable. Furthermore, they all failed to allocate the cost of carrying accounts receivable on the basis of their age and other factors. One such study revealed that not only did the interest charge vary with the length of time that the accounts remained on the books of the creditor, but that there also was a direct relationship of losses from bad debts, bookkeeping expense and other credit and collection expense to the age of accounts. Thus, when accounts remained on the books 120 days the cost of carrying them was about twice as high as the cost of carrying accounts that remained 45 days on the books. This is but an indication of the need for actual knowledge of costs and of what may be accomplished through properly executed studies in this direction.

THIS MONTH'S BUSINESS BOOK

HOW TO WRITE. John Mantle Clapp and Homer Heath Nugent. Ronald Press Co., N. Y., 1930. 555 pp. $5.00.

No matter how much one may dislike writing, he can scarcely even muddle through life without doing some of it, or achieve any real distinction without doing a lot of it. This book, Professors Clapp and Nugent reveal in their opening sentence, is written "not for those who desire to become professional writers but for men and women who desire to do effectively the writing which they cannot escape." That hits a lot of us right where we live.

Professor Clapp's "How to Talk" was reviewed in the Credit Monthly for October, 1928. His collaborator in the preparation of that useful and readable manual was Edwin A. Kane of the College of the City of New York. He is again fortunate in his team-mate, his associate in the present work being professor of rhetoric in Rensselaer Polytechnic Institute and author of "A Book of Exposition."

There are seven main divisions of the text. They deal, respectively, with the problem of getting the right point of view; writing for yourself (stressing accuracy); writing to friends (the problem of suggestion); writing in business and professional life; addressing the public; writing for fun (exercise in the working out of patterns); and language—the medium of communication.

Good suggestions about writing are so plentiful in this book that they fairly tread on each other's heels. For example, we are urged to avoid the hurry complex when writing letters. "We wouldn't hurry like that if we were talking to our friend. We would recognize at once the rudeness of such procedure and avoid it. Why do it in writing to him?"

Another idea that receives deserved emphasis is that no one can really do your writing for you. As the authors well know, there is probably more "ghost-writing" being done today than ever before. But it has well defined limitations. However accurately and cleverly it may be done, it falls short of the mark because it cannot express completely the personality flavor of the man who is supposed to have written it. Virtually everybody knows that baseball articles signed "Babe Ruth" are not at all what they seem, and by the same token everybody knows that the name of Calvin Coolidge, or Will Rogers, or Charles A. Lindbergh, signed to an article, means exactly what it says.

This book will be popular. It deals with something we all have to do more or less of, and in a most readable style. Much of it sounds like talk, which means that the authors themselves know how to write, and are therefore qualified to tell the rest of us how the trick is turned.

Protecting the Small Borrower

TEN THOUSAND SMALL LOANS. Louis N. Robinson and Maude E. Stearns. Russell Sage Foundation. N. Y. 1930. 199 pp. $2.00.

Until small loan offices, Morris Plan companies, store-order companies and other similar agencies were developed, the loan sharks had things pretty much their own way with the unemployed worker. Now, thanks to the new agencies, the worker can get loans needed in emergency without paying the old rates of from 10 to 20 per cent a month.

Ten thousand of these small loans have been investigated, studied and carefully analyzed by the Russell Sage Foundation, and the results are presented in this interesting and significant report. An introductory chapter sketches the history and development of the small loan business and describes the method used in collecting and analyzing the 10,000 reports. Then follow chapters on the borrower's social status, economic background, and living conditions, and the book is concluded with a chapter on the small loan as an economic factor in our general well-being.

This study, which is part of a general survey which is being made by the Sage Foundation, relates chiefly to offices licensed under the Uniform Small Loan Law, in the drafting of which the Foundation had an important part. Such offices lend largely on the security of chattels, and are frequently referred to as "chattel loan offices." Although figures are not available to show the total business conducted by such offices, it is conservatively estimated by the Foundation's Department of Remedial Loans that the volume of business reached $500,000,000 in 1929, and that 4,500,000 loans were being made by licensed lenders in the states having regulatory laws.

Since 1911 a radical change has taken place in the status and operation of loan offices. Through the passage of the Uniform Small Loan Law or equivalent laws, 18 states, including most of the great industrial states and containing nearly half the total population of the United States, had by 1923 placed the loan offices under proper regulatory law. Since 1923, six additional states have adopted the Uniform Law or its equivalent.

This regulation, the report indicates, was accomplished by allowing lenders when licensed to charge a higher rate on loans of $300 or less than that permitted on loans of larger amounts or to other than licensees. Licensees were also required to be bonded and to submit to state supervision. The maximum rate allowed by these laws is, with a few exceptions, from 3 to 3½ per cent. a month on unpaid balances. This seems a high rate but it is actually far less than such borrowers had been accustomed to pay.

In times when unemployment is widespread, the worker is forced to borrow to pay rent and bills for food, light and other necessary goods and services. The small loan office, under proper supervision, has greatly decreased the rate he must pay on his enforced borrowings, and this study, in the light of present business conditions, is most timely.

Blanket Fidelity Bonds

(*Continued from page 41*)

Creosoting Company..	$10,361.60	$ 2,000.
Acceptance Company..	10,593.56	10,000.
Fraternal Order	2,100.00	500.
Plumbing Company ..	3,993.20	2,500.
Lumber Company ...	27,600.00	1,000.
State Bank	11,000.00	10,000.
State Bank	11,000.00	10,000.
Distributing Company	3,000.00	1,000.

These excess losses amount to the staggering total of $909,322.25; the whole amount of insurance available was $234,225.00, leaving a loss to these employers of $675,097.25. Notice, if you will, the diversified list of businesses in which these employers are engaged. Does it not indicate to you that no organization is immune from Dishonesty losses caused by its employees? Then again, these figures do not take into account the large number of losses constantly being sustained by employers as a result of dishonesty on the part of the employees where no bonds at all were required. Moreover this is the record of only one company and there are some eighty companies writing Dishonesty Insurance in this country. No exact figures are available, but we have considerable ground for the belief that the experience of other companies is in direct proportion to that shown in this list of excess losses.

Now, if we may, let us emphasize the fact that the Primary Blanket Fidelity Bond has been especially designed, among other things, to prevent underinsurance and uninsured losses. We are confident that the thorough development of this comparatively new form of insurance will take a large load off the shoulders of many busy credit executives. We recommend that you consult your insurance advisor.

Study Conditions Before Making Credit Decisions

(*Continued from page 20*)

we must insist upon your prompt settlement.

We thank you in advance for the courtesy of an immediate remittance.

Dear Sir:

Subject $ (amount)

It is with extreme disappointment that we have not received your check nor any advices concerning it in response to our previous letters.

This important matter is deserving of your preferable attention, as it has been standing quite some time. We are certain that you have not purposely withheld payment as well as ignored our communications concerning it.

The major portion of our bill represents labor that had to be paid weekly and our quotation did not include any charges for carriage of account.

It is imperative that we have your check without further delay and knowing that we can count on your good reciprocation of the indulgences that have been enjoyed, shall look forward to its receipt within the next five days.

Strict adherence to the proposed outline will be productive of the desired results in keeping the accounts in an up-to-date and healthy condition.

On the few accounts that are not paid after handling along the lines suggested, it can be reasonably assumed that the debtor is not amenable to amicable efforts, unless there are present some seasonal or other unusual circumstances that are understood; then it is essential that the customer be handled as the facts warrant; either by taking sterner steps to enforce payment or granting, at customer's request, still further time.

John Law

(*Continued from page 25*)

cash to purchase stock in the Company. To keep people from selling the stock to get ready cash, thereby sending down the price, Law gave orders for the presses to be kept busy turning out the paper money. Within two years the bank had issued 400 million notes redeemable at sight. The bare truth was that all the specie in the kingdom did not amount to one-quarter of this amount.

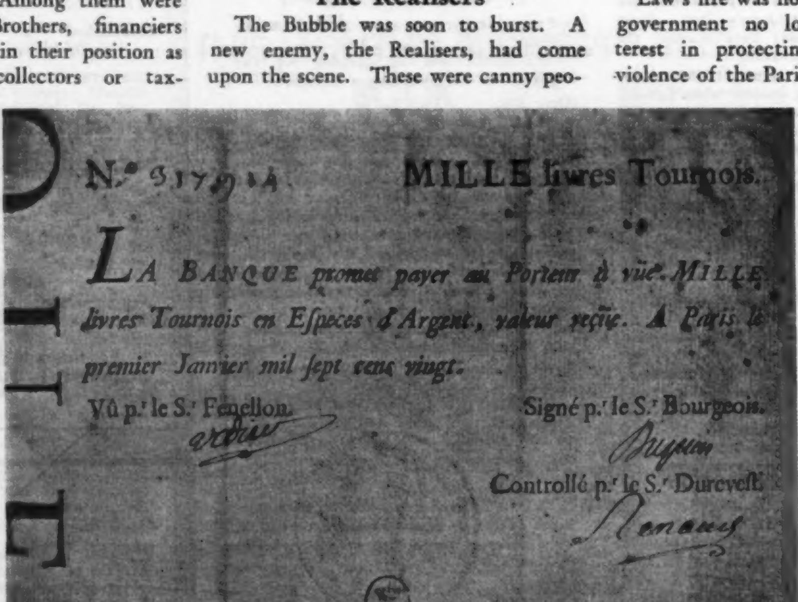
Law's meteoric rise had made many enemies for him. Among them were the four Paris Brothers, financiers whose strength lay in their position as government tax collectors or tax-farmers. John Law had taken their job away from them, by offering a more attractive contract to the government. The Paris Brothers found a way of hitting back at Law. They began to present large quantities of bank notes for redemption at the Bank in gold and silver, and encouraged their many followers to do the same. Law countered by depreciating the value of gold and silver. Now people held on to their paper money. They swung to the other extreme and refused to accept gold or silver in payment for commodities. Law's paper money was the sole accepted medium of exchange.

Meanwhile the popularity of the Compagnie des Indes was steadily growing, in what seemed like an endless chain. The more buyers that entered the market, the higher the price of the stock soared, and the sky-rocketing of the price attracted more people in turn. It was a buyers' market, and offers a curious parallel to the condition of the stock market just before the drop of last November.

No thought was entertained of a possible change in events. Business in the Rue Quincampoix (the Wall Street of that period) went merrily on. Trades people fought in the street for shares, and rich women camped on John Law's door-step begging to be allowed to buy stock. Law, ever-obliging, issued a few thousand shares more which were quickly swallowed up. The price of the stock had risen 3600 per cent. in six months. Law issued a prospectus describing the wonders of Louisiana. Parts of the text were lifted from Sir Walter Raleigh's description of El Dorado and the illustrations were taken from representations of Paradise in some forgotten Chronicle of the Saints.

The Realisers

The Bubble was soon to burst. A new enemy, the Realisers, had come upon the scene. These were canny people who were selling their Louisiana stock and with the paper currency obtained, were buying jewels, property, anything of real, tangible value. The subsequent fall in the price of the stock caused many more holders to sell. Soon the price of the stock was falling almost as rapidly as it had risen. Law tried many desperate measures to check the downward movement. He tried to keep people from exchanging their paper money for valuable articles like jewels or gold. He thought he could check the fall in price by fixing the price of the shares at a certain arbitrary level, and causing them to be circulated as currency. No more paper money was to be issued. The circulation of gold and silver was to be suppressed. It was like trying to stem a flood with one's two hands. The price of the stock tumbled headlong. There were all sellers and no buyers. In a little while, the Exchange was closed.


N.° MILLE livres Tournois.
LA BANQUE promet payer au Porteur à vüe MILLE livres Tournois en Especes d'Argent, valeur reçüe. A Paris le premier Janvier mil sept cens vingt.
Vû p.r le S.r Fenellon.
Signé p.r le S.r Bourgeois.
Controllé p.r le S.r Durevest.

Reprinted from "The Amazing Life of John Law", by Georges Oudard, published by Payson & Clarke, Ltd., now Brewer & Warren, Inc.

Facsimile of one of John Law's bank notes. It reads: "The Bank promises to pay to the bearer on sight 1000 livres (unit of currency of that period) in silver, value received. Paris, January 1, 1720."

The Market Crashes

The crash of the market shook the Bank too. A run on the Bank began for redemption of Law's paper currency, the panacea for all France's commercial ills. The Bank was soon cleaned out of all its specie. All it could do was to close and bar its doors, which were straightway pushed in by the angry mob.

Law's life was not safe in Paris. The government no longer had any interest in protecting him against the violence of the Paris mob. He was advised to leave town, which he did. After his departure, the government completed the destruction of his system by abolishing his Bank and bank notes. Law spent the rest of his life in Italy and England, making plans to return to France and put his system through successfully. He died, however, before another big opportunity came his way.

Law's career is an interesting and dramatic story, but the student of economic history will find some deeper meaning in it. Law was no arm-chair economist. His mind had not only a creative but also an executive bent. A dreamer of stupendous dreams, he did not rest until he had found a way to make these dreams come true. He used France as a huge laboratory in which to test out his theories on a large scale. The Banque Royale and the Compagnie des Indes are clear-cut experiments in economics. The conclusions to be drawn from them are as positive and as true as the conclusions to be drawn from an experiment in chemistry or physics. We learn by experience. Law's career, although it was characterized by a series of failures, has added to the sum of our economic knowledge.

Boston Swings Into Action on National Convention Plans

ALL eyes toward Boston! Executive Manager Stephen I. Miller has appointed Mr. W. S. Swingle, Convention Director for the N. A. C. M. Convention which will be held in Boston from June 22 to June 26. Boston, under the leadership of Mr. F. S. Hughes of the Federal Reserve Bank, vice-president of the National Association, is swinging into action. The chairmen of the various committees having been appointed by Mr. Ralph B. Jones, President of the Boston Association of Credit Men.

Mr. Hughes is chairman of the Executive and Finance Committee. Those working with Mr. Hughes and the Convention Director on this Committee are:

RALPH B. JONES, C. A. Goodnow Shoe Company

J. VICTOR DAY, Smith Patterson Company

ARTHUR H. HANDY, A. C. Lawrence Leather Co.

HARRY H. HUMPHREY, Brown-Durrell Co.

JOSEPH M. PAUL, Boston Credit Men's Assn.

The chairmen of the other National Committees are:

Program & Speakers Committee—CHARLES A. COLTON, Boston *Transcript;* Entertainment Committee—CORNELIUS A. MCAULIFFE, Lewis Mears Co.; Halls & Decorations Committee—HARRY L. HAZEN, Hewes & Potter, Inc.; Reception Committee—WALTER E. RICHARDS, Armour & Co.; Automobile & Transportation Committee—JAMES L. BARNEY, Barney & Carey Co.; Information Committee—EDWARD L. HARRIS, Swift & Company; Registration Committee—RICHARD H. HITCHCOCK, Simonds Saw & Steel Co.; Publicity Committee—MARTIN A. CAMPBELL, American Motor Equipment Co.; Hotels Committee—WILLIAM H. ECKERT, Rival Foods, Inc.

The Statler Hotel has been selected as Convention Headquarters, and its accommodations and arrangements make a particularly appealing home for the Convention delegates during Convention Week. All General Convention sessions will be held in the Grand Ballroom of the Statler Hotel. Boston has many unusual plans in the offing, and just as rapidly as these are crystallized and developed, they will be made known to the Association membership. The Boston Convention is going to be a topnotcher. Plan to be there!

Is Argentina a Good Credit Risk?

(Continued from page 22)

now quite generally appreciated that in order to sell in the Argentine, one must understand its people and their problems, and provide the same high standard of service demanded in the United States. Sales, furthermore, cannot be put over by "high-pressure" methods. The Latin resents being hurried into a purchase, however small.

Argentine is one of the most prosperous and stable countries of the Western Hemisphere. The history of its commercial growth proves that the people of the country are capable of developing their resources at a normal, steady rate. The international demand for its Federal and municipal bond issues speaks for itself. Specifically, the business men of the United States are expressing their confidence in the Republic by extending credit to the serious, honest, well-capitalized Argentine merchant, to whose efforts the nation looks for future development and prosperity.

Our New Tariff

(Continued from page 23)

friends apply; and

(3) The availability of a workable, flexible clause to adjust unfair situations;

we believe the new Tariff Law will not retard the amazing growth of our foreign trade. It should be remembered also that four-fifths in value of our imports consist of goods which are either free of duty or unchanged or reduced in duties under the new Law.

The United States will continue to buy from and sell to the nations of the world vast quantities of products. Our great and growing buying power, partially no doubt a result of the protective system under which we have grown up, enables our people to steadily expand their purchases from foreign countries.

Can You Answer This Question?

CREDIT MONTHLY has a request for information on data relative to the allowance of prizes by individual firms to salesmen to stimulate collections from customers. Does your firm do this? Or do you know any other companies that follow this procedure?

If so, please write in to CREDIT MONTHLY giving any information you can on the subject.

Colonel Donovan's Report

(Continued from page 13)

the New York Credit Men's Association will, when thoroughly understood and carefully studied, commend itself to the considered judgment of the business community and the Bar.

With nearly $4,000,000,000 in claims over and above dividends paid in bankruptcy, wiped out in the last five years, and with over sixty per cent. (60%) of all bankruptcy proceedings no-asset cases, as shown by the appendices to the Donovan report, there is disclosed an economic waste that is a matter of grave national importance. The problem of bankruptcy reform will never be solved by the mere substitution of an official liquidating officer for a liquidating officer elected by the creditors. A modern and satisfactory bankruptcy system must be so designed as to insure an adequate and careful investigation of the bankrupt's affairs, including the factors resulting in the failure, and must be so drawn as to prevent recurring failures on the part of incompetent and dishonest individuals.

The administration of the statute must be so speedy, economical and efficient as to impress creditors generally with the desirability of effecting liquidations under the protection and safeguards afforded by the law. The elimination of the enormous tax imposed upon business by the existing system, transcends in importance the matters of detail which alone are dealt with in the report of the committee of the American Bar Association.

A broad and statesman-like survey of the entire situation including both its economic and its legal aspects is essential and it is such a survey that the business interests of this country expect of such organizations as the Commercial Law League and the American Bar Association.

The sporadic instances of fraud and dishonesty that were disclosed in the Southern District of New York had their root and foundation in the cumbersome and inefficient system of administration and control of bankrupt estates provided for in the Bankruptcy Act itself. In the writer's opinion, which is concurred in by many others who have had experience in the administration of bankrupt estates, nothing short of a fundamental change in the statute itself can effect a permanent cure.

Primarily, the liquidation of an insolvent estate is a business problem, which should be handled by trained and experienced individuals or organizations devoting their attention solely to this highly specialized type of work. The facilities afforded by trade and credit organizations, embracing representatives of almost every trade and industry in the United States, should be utilized to the fullest extent. Such organizations are free from political influence and have the additional advantage of operating with service rather than profit as the primary motive.

A cooperative study of the problem, as disclosed by the Donovan Report, by business and professional organizations in all sections of the country should be undertaken at the earliest possible moment in order to bring about that crystallization of public opinion with respect to the necessity and means of reform which the American Bar Association Committee quite properly suggests.

Addresses Wanted

ANDERSON, NELS, L., 170 Grand St., White Plains, N. Y.
BRITTON, T. M., formerly employed by Knott & Gellus Co., Detroit, Mich., and H. K. Mulford Co., Kansas City. Last known address 5505 Park Avenue, Kansas City.
BUNDY, R. C., Birmingham, Ala.
BURKE, W. H., recently located at 426 Erie Bldg., Cleveland, Ohio. Formerly connected with the Hanna Typewriter Exchange.
BUSH, D. E., 730 W. Howe, Bloomington, Ind.
CHAMBLESS, MINNIE (MISS), Prop., Chambless Shoe Store, Cleburne, Texas.
ECKSTEIN, EDWARD, t. a. Bensonhurst Art Shop, 2236 86th St., B'klyn, N. Y.
FREDERICKSON, F., 89 Norwood Avenue, Newtonville, Mass.
FRYE, HARRY S., formerly 1524 Shunk St., and 129 E. Luzerne St., Phila., Pa. Believed to be in Merchantville, N. J.
GABRYSZEK, FRANK L., 5529 Chene Street, Detroit, Mich.
GOLDBERG, MEYER, (a luncheonette) at 225 West 36th Street, New York City.
GRANT, WILLIS H., former proprietor Dr. Dean's Truss Co., 316 Tuscarawas St., W. Canton, Ohio. Believed to be teaching a New York City school.
HUBER, MATH., formerly 1219 Devon Avenue, Chicago, operating under the title of Devon Painting and Decorating Co.
JENNESS, HOWARD M., formerly at 43 Breck Ave., Brighton, Mass.
JOHNSTON, J. A., DR., formerly 3150 63rd Ave. & 4412 E. 14th Street, Oakland, Cal., previously manager for Osgood Bros., Oakland, Cal., later a salesman for surgical appliance manufacturers.
JONES, M. L., 903 Union Avenue, Pittsburgh, Pa.
KANNEY, N., formerly of 3343 West Van Buren St., Chicago.
KAY, BARNEY C., traveling salesman, formerly with Stephen Greene Company, Philadelphia.
KROHN, HARRY, Reliable Distributing Co., 75 Main St., Oneonta, N. Y.
LANSBURG, L. A., 2 Grove St., White Plains, N. Y.
LIPSKY, ALFRED, formerly a painter and decorator located at 9433 Centre Line Avenue, Detroit. Now thought to be somewhere in North Carolina.
LOPOTEN, M., Ontario Pharmacy, Ontario & Reed Sts., Philadelphia, Pa.
MILLER, CARL, formerly Strand Theatre Bldg., Pottstown, Pa.
MILLER, R. B., peddler, operating two trucks, 3515 Michigan Drive, Louisville, Ky.
NEFF, A. N., tdg. as Mahoning Auto Body & Paint Co., 879 Mahoning Ave., Youngstown, Ohio.
NESTLER, B., 4603 Eighth Avenue, Brooklyn, N. Y.
NOBLE, W. C., Gayoso Hotel, Memphis, Tenn.
PALMER, V. H., DDS.., 1751 W. Lake Street, Chicago, Ill.
PENN DRUG MFG. COMPANY, J. MESSEY and J. J. UNDERBERG, PROPS., 135 Vine Street, Philadelphia.
RASPANTE, TONY, formerly resided at 422 E. Walnut St., Louisville, Ky. Understand is now located in Detroit. Formerly operated a Popcorn and Candy Wagon.
ROONEY, H. M., 508 First Street, Macon, Ga.
ROSEN, E. (MRS.), 5646 Kenmore Ave., Chicago, Ill.

Float

(*Continued from page* 27)

to attempt to decide whether the use of checks increased because banks began to accept them on an immediate ledger credit basis, or whether banks were forced to take this action because of the increase in checks. The results are the same.

For the sake of mutual interest and convenience the banks soon adopted the policy of accepting check deposits for immediate ledger credit by totals, but reserving the right to charge back any items returned unpaid. It is to be regretted that banks did not from the first stand solidly against the practice that developed due to misunderstanding, namely, the disposition on the part of the depositor to regard a credit to his account as subject to his immediate draft. Then, as a by-product of the reserve-float privilege, banks fell into the careless habit of paying interest on ledger balances instead of first deducting float. Much grief has resulted from the efforts banks have made to protect themselves against the depositor's habit of drawing against uncollected funds, and against the Courts' habit of ignoring practical necessity in connection with giving immediate ledger credit. We may now discuss some legal aspects of the float problem.

It is said that law follows custom. Let us risk being considered cynical and say that law followed check collection custom at such a great distance that it became hopelessly lost when custom turned the corner at least fifty years ago. To those who are acquainted with modern banking practice and the mechanical as well as economic necessity for it, we recommend as interesting reading the decision of the Supreme Court of the United States in the famous Malloy case, handed down a few years ago. Happily there are courts characterized by more modern processes of thought, and it is refreshing to read Mr. Justice Stone (Minnesota Supreme Court) in his comment on the Malloy decision.

In the absence of statute law on the subject, the Courts have held that the relation of the bank to its depositor is that of debtor. We need not quarrel with that dictum. We can, however, defend the entirely logical hypothesis that in the collection of checks, banks act as agents for their depositors, and the debtor-creditor relationship cannot arise until the bank is in funds. To do otherwise, or to attempt to compel banks to accept nothing but currency in payment for checks sent for collection, is in effect to force banks to guarantee the solvency of every bank on which checks deposited may be drawn. There is no alternative except to go out of business as a bank of deposit. It is in this twilight zone that occurs between the time the check is deposited and payment is received that nearly all the impenetrable fog and endless litigation have arisen. Thousands of dollars have been spent in printing and defending disclaimers under which checks are accepted for deposit and literally hundreds of thousands, if not millions of dollars of loss have been saddled upon banks, losses which should have been matters of issue solely between the makers and the payees of checks drawn upon insolvent banks.

Happily a way out of the dilemma is now at hand in a new Collection Code prepared by the American Bankers Association and already adopted by eleven states, including New York. It is expected that the Code will find as general and as favorable acceptance as the Negotiable Instruments Act. Then float will be legally dealt with as such, and a bank will not be obliged to prove in court that an item of deposit entered in a pass book is not gold, however it may appear to glitter.

Let us now deal with a relatively new problem in float that combines both practical and legal difficulties. Enough has been said to bring out the fact that the process of collecting checks or converting collections into cash is the most costly service that banks perform from the overhead point of view. The speeding up of transportation, both rail and air, the adoption of the Federal Reserve check collection system, which largely abolished the nuisance tax of exchange charges, the establishment of the Gold Settlement Fund—all these are factors which have tended to cut down the volume of float enormously. The Universal Numerical System, the Recordak system of making records, endorsing machines, and above all else, the adding machine, have materially reduced costs. Let us pause to suggest that the business man and the banker should unite in contributing funds to erect a monument to the inventor of the adding machine worthy of the value of his invention. Without it the cost of handling float would be well-nigh prohibitive.

But in spite of these factors that

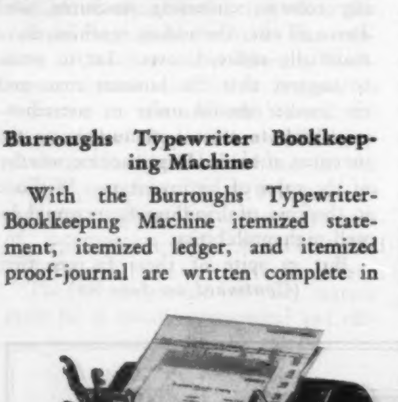
(*Continued on page* 49)

IN THE MODERN OFFICE

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Burroughs Typewriter Bookkeeping Machine

With the Burroughs Typewriter-Bookkeeping Machine itemized statement, itemized ledger, and itemized proof-journal are written complete in



one operation. This machine combines an electrically-operated computing mechanism with a standard typewriter unit. The computing mechanism prints its results direct by depressing a single key. There is no copying from dials.

Forms are inserted in this machine from the front. This gives a flat surface for easy aligning of forms in addition to the operating speed of a cylinder platen machine.

This type of machine is now being used in hundreds of stores for preparing accounts receivable ledgers and statements, past due analysis records, accounts payable ledgers, vouchers, checks, retail inventory merchandise sheets, etc.

How Census Data is Tabulated

Credit executives will be interested in a description of the mechanical means the Bureau of Census is employing to tabulate the vast amount of data collected during the recent census of distribution. The methods and machines used are adaptable for use in any business organization. William B. Cragg, Chief of Tabulation of the United States Bureau of the Census describes the processes as follows:

Perforated cards, seven and three-eights by three and a quarter inches, which look as though they have been the hapless target of a reckless quail hunter, will carry the individual and collective information gathered from retailers, dealers, contractors, and hotel firms during the Census of Distribution.

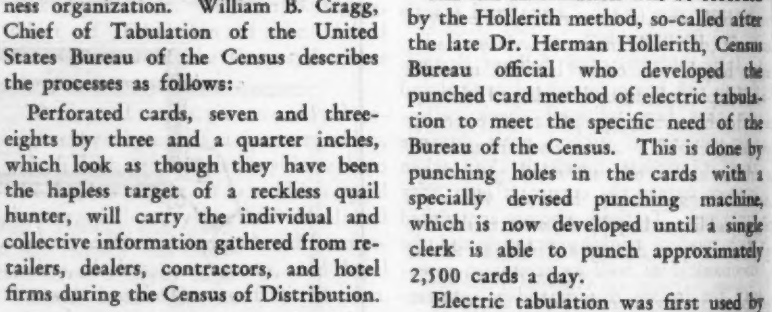
From each questionnaire, the information will be transferred to a card or a set of cards for tabulation mechanically preparatory to issuance of the various reports. And from that time on those cards will carry the information and be used in all the various mechanical tabulations—done without brow wrinkling or mental worry.

For the preliminary reports, the cards will record the location of the firm, its type, kinds of business done, number of employees, salaries and wages paid during 1929, stock on hand January 1, and the net sales, but for the complete reports they will carry the information in detail.

All this information will be recorded by the Hollerith method, so-called after the late Dr. Herman Hollerith, Census Bureau official who developed the punched card method of electric tabulation to meet the specific need of the Bureau of the Census. This is done by punching holes in the cards with a specially devised punching machine, which is now developed until a single clerk is able to punch approximately 2,500 cards a day.

Electric tabulation was first used by the Census Bureau in compiling the data of the Eleventh Decennial Census of 1890. Since that time it has been used continuously at the Bureau in all its statistical work, and has been adopted by the business world generally.

From the time that the answers to the questionnaire are transferred to the



card, the identity of the information is lost. Although there is a separate card for every establishment in the country, there are no names on the cards. The information is literally turned into "cold facts", to be used for statistical purposes only.

After the initial cards have been punched, other machines are brought into use for sorting. During this work the cards carrying their information are sent to sorting machines operating at a speed of 400 per minute. The data punched on the cards is tabulated on adding tabulators, known as Hollerith tabulators, which accumulate data on a maximum of five counting banks, at the rate of 150 cards per minute.

After the information is tabulated it is carefully studied before it is converted into statistics and arranged in tables for publication in the Census reports. The studies are made possible by reason of a listing attachment on the tabulating machines, providing the editors and specialists with typed detail-strips, on which the separate figures entering into the totals can be examined.

The Bureau will use in all its work during this decennial Census 166 machines for sorting and tabulating, 85 of which have been specially designed and constructed by and are owned by the government, and 81 rented.

Float

(*Continued from page 47*)

have each operated to reduce expense, costs over which the banker has no control have so risen as to make it necessary for him to protect himself by direct charges to customers whose balances do not adequately cover these costs. One such charge is the so-called "float charge", without doubt justified by conditions, but in the judgment of this writer, open to question because of the construction courts might put upon the practice. Although no question in litigation has as yet arisen, so far as we know, may we not conclude that courts might construe a float charge as evidence that the bank had "purchased" the items from its customer and thus put itself beyond the protection of the Collection Code? An amendment to that code would seem in order, or else a new form of disclaimer should be devised to meet this particular situation.

In conclusion, let me lighten up this somewhat technical discussion by telling a true story in which float as a bank term proved to be a name happily chosen. A bank in Richmond had as a country correspondent another bank situated further south. There came a series of heavy rains and floods which washed out several bridges and disarranged railroad and mail schedules. About this time the Richmond bank had occasion to rebuke its country correspondent for overdrawing its account. The answer was made that the floods had evidently delayed remittances and deposits sent for credit, whereupon the Richmond banker replied: "Probably true, but how do you explain the fact that the deposits you send us seem to sink and the drafts you draw on us float all too well?"

Free Credit Coinage

(*Continued from page 31*)

lating its value in that they regulate its coinage. Because the form of our money has changed as it has many times throughout the ages, is no reason for the annulment of these constitutional provisions. If the banks are operated under the rules of the Federal Reserve the provisions will be satisfied, for that agency is a creation of Congress.

With the foregoing accomplished, *thirty words written into the Federal Reserve Act will clear up the whole situation.* With all banks making loans under the rules laid down by the Fed-

eral Reserve Board our greatest public utility will be under public control.

The slight change in state laws governing tax assessment necessary to bring those laws in line will readily be made in response to a rule that security value must coincide with assessment value.

No change should be made in the status of the bank. It should remain a private institution. We need the vigilance of personal interest to guard it. Under public control the bank loan would become a right instead of a privilege but the banker would not be compelled arbitrarily to make a loan. If for any reason he refused to make a loan he would be compelled to state the reason in writing. The matter could then be taken up with a bank examiner. If the loan were doubtful it need not be made, but if it were shown to be safe and the banker still refused, it could be made by another bank or directly by the Federal Reserve.

The switch from private to public control would not upset business. The change in present methods would be slight and all changes would be recognized as improvements.

The most noticeable change from present banking practice would be in the form and terms of the loan. All forms used would, of course, be standardized throughout the country, which would add to the ease and safety of doing business.

The public approval of all security underlying bank loans would put 100 per cent. confidence behind the bank and keep it there. All bank paper, having been approved by the people, would be discountable at the Federal Reserve. Such an arrangement would make all good security equally liquid. With a 100 per cent. discount market no bank could possibly fail.

Perfect public confidence in our banks would remove the necessity for a time limit on loans. They would be made on margin. The schedule of ratio of loan to value would fix the amount and the only necessity would be to keep that margin good. No loan could be called for more than enough to keep within the prescribed limit.

The suggested public control will not only accomplish our political ideals but some very practical results. The volume of money will be limited only by the demands of business, since there will be no difference between volume of and demand for money. The value of the dollar will not fluctuate.

The Federal Reserve Board will be relieved of the impossible task of stabilizing the general price level by open

ANSWERS TO CREDIT QUESTIONS

Conducted by E. Paul Phillips

Suits by Creditors

Q. Can you furnish us with a list of states in which the courts do not permit a creditor to sue for past due charges shortly after suits have been concluded for other past due charges when at the time of the first suits there were also standing open other past due items which were not incorporated in the amounts for which the suits had been instituted?

A. There is a rule of law in some states requiring a litigant to include in one action all claims arising out of the same transaction. If past due accounts represent entirely separate transactions, we know of no rule which obligates a litigant to include all such contract charges in a single suit. To advise with respect to the rule on this subject in the several states would require an examination of the statutes and decisions of all the states.

Claims Against Decedent's Estates —Massachusetts

Q. In the State of Massachusetts, where a sole proprietor operates a business, and dies, is it required under the Massachusetts laws that suits must be commenced for balance due within a year's time from date of shipment, or within a year's time from decease of proprietor? Also, would a claim against the estate be valueless providing suit was not started within the stipulated year?

A. In the State of Massachusetts, creditors have twelve months from the date of the filing of the executor's or administrator's bond within which to bring an action against a decedent's estate. No action may be commenced during the first six months after the qualification of the executor or administrator, and creditors are obliged to institute their proceedings within the following six months if they are to perpetuate their rights. If the administrator pays a claim after the twelve months period, he does so at his peril unless all parties in interest consent to the payment of the claim.

Credit Department Mechanics

Q. Can you suggest some way of eliminating the danger of passing orders totalling more than the credit limit set on an account due to there being no records kept from the time the order is passed until it is posted on the customer's ledger card, which in our case usually is between two to five days? Under our present set up, when an order is received in the credit department the value of the order is noted on a credit card. On the order itself, the ratings, limit and total amount of business passed for the last sixty days are also shown. These credit cards are also used to show when shipments are held up by use of a red celluloid danger signal. If orders exceeding the limit placed on the account are passed, it will then show up when the figure placed on the order is in excess of the limit. Inasmuch as we are handling from two to four hundred orders a day the clerical labor in posting the credit cards is considerable and it is our desire to eliminate this work if a suitable method of handling these orders could be devised which would prevent the possibility referred to above.

A. Many firms employ a procedure somewhat different from that described in this inquiry in the checking of credit limits for customers. Instead of using credit cards they record virtually the same information on the customer's ledger sheet. These sheets are specially prepared with the proper column headings and the information is recorded in the form of pencil notation by the credit assistant who receive the orders. Under such procedure, signaling of the account would be eliminated. However, the credit assistant would be able at a glance to note the dangerous condition.

It might be possible to eliminate some lost motion and clerical expense under the system used by the inquirer if it could be arranged to have the credit assistant or ledger clerk who passes on orders make the pencil notation on the credit card. It is possible that the credit department procedure is so arranged that certain assistants handle rather exclusively a given list of customers. If this is the case, then the credit cards for those customers could be on the assistant's desk and when he is passing on the orders he could make the necessary pencil notations on the cards.

As a further suggestion, it might be possible to work out some scheme whereby extra copies of the orders are made and these placed in a folder and filed in the same way as the credit cards. We realize that this, unless carefully worked out, might be more complicated and expensive than the credit card system. However, it is a little difficult to offer suggestions without a complete knowledge of the entire credit department procedure.

As to Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

market operations and changes in the discount rate.

Both inflation and deflation will be impossible and, consequently, there will be no necessity for a change in the discount rate. The course of business will be, "A steady improvement, through research and invention and advanced standards of living for the whole people". It will lead to the conquest of poverty which President Hoover said was, "the aspiration of our economic life". Changes in the interest or discount rate no longer being necessary as a brake to regulate or steady business, they can be fixed and remain fixed.

With these slight changes bank loans would be made the same as now but with considerable benefit to our social system. The borrower could approach the banker with the same confidence and self assurance that the shipper now approaches the railroad agent. Freedom of initiative and the stability of the economic structure would be assured. Business men could go about their affairs with confidence in the future. The door of opportunity would be wide open to all on the same terms. Prices would be stabilized, fluctuating only according to supply and demand. There would be no more booms or slumps.

The suggestion is in line with all financial reform of the civilized world for the last three hundred years. The object of the Federal Reserve Act was to add safety and elasticity to our medium of exchange. It is a great improvement on the old system but it lacks just thirty words needed to perfect our system. For our own good and because of our dominant financial and economic position no time should be lost in bringing our system to perfection.

Collections and Sales Survey

(*Continued from page* 34)

coal dealer reports that collections have been better than fair up to this month but a decline was noted in this month's business.

NORTH DAKOTA: Collections and sales are both reported as "Fair". The crop outlook in this territory is good, although crops are in need of moisture. Prices of every commodity produced are far below normal and this is naturally going to curtail buying.

OHIO: There is no improvement in collections and sales over last month's report. Both are poor, due to the increased unemployment and wage cutting which hampers buying.

OREGON: The report of "Slow" for conditions in Oregon is received, with the following explanation: "There is now a little more talk of a revival of trade activity and a more hopeful feeling that the business pendulum within a short time will begin swinging back. The present condition is largely mental. The part of everyone is to deliberately become hopeful. Constructive optimism, courage to buy a little more, to pay a little more, is bound to result in visible evidences of a return to normal business activity."

PENNSYLVANIA: Collections and sales are rather spotty. While many concerns report collections "Good", and sales exceedingly "Good", there are certain other lines that find collections very "Slow" and a decrease in sales. Failures are more numerous but the general impression seems to prevail that conditions will improve gradually beginning in September.

TENNESSEE: Conditions do not look very promising at present. The growing season has been very dry. There has been no rain for sixty-five days and unless there is relief soon, there will be a poor crop in all farm products.

TEXAS: Collections have climbed from "Slow" to "Fair" during the past month and are steadily improving. Current accounts are being paid fairly promptly but the past due accounts are not being paid off rapidly.

WEST VIRGINIA: Conditions are "Slow", the coal, hardware and lumber businesses seem to be hit the hardest in this field.

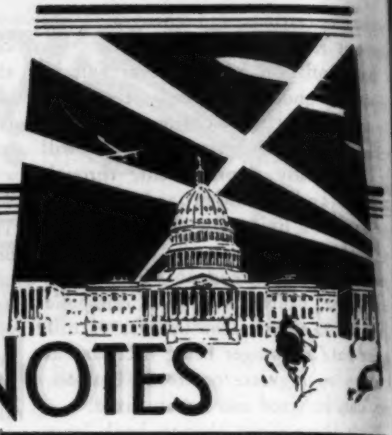
Watch Out for "The Gorilla"!

THE Hoffman Heater Company, of Louisville, Kentucky, reports that on June 25th a man called upon them giving the name of W. L. White, who represented himself to be the owner of a patent on the Hot-Kold gas fired furnace. He further claimed he owned the die equipment and was looking for someone to take over the manufacture of the appliance. He carried with him literature about the device.

The man was somewhat stoop-shouldered and referred to himself as "The Gorilla" as his carriage resembled the walking position of that animal. He drove a dilapidated sedan bearing an Ohio license plate, and was accompanied by a man who gave the name of Mr. LaFortune, who represented himself to be connected with the Union Gas & Electric Co. of Cincinnati.

Subsequent investigation has disclosed that many of the representations made by "White" were untrue. Before leaving the office of the Hoffman Heater Company, "White" stated he was somewhat short of funds, and asked to have a $15 check cashed. He had no checks with him, and the Hoffman Heater Company furnished him with a blank check, which he drew on the Norwood National Bank of Norwood, Ohio. This check was returned by the Norwood Hyde Park Bank & Trust Company marked "no such account" and was protested for non-payment.

COURT DECISIONS AND WASHINGTON NOTES



OFFICERS OF CORPORATION. AUTHORITY. TRADE ACCEPTANCE. ESTOPPEL. (CALIF.)

Held that the existence of authority in subordinate officers of a corporation may be established by proof of the course of business and by the usage and practices of the company and by the knowledge which the board of directors has, or must be presumed to have, of the acts and doings of its subordinates in and about the affairs of the corporation. In this action to recover from defendant corporation upon a trade acceptance executed by defendant's secretary, where the president of the defendant corporation testified that the secretary generally handled the business of the corporation, the evidence was amply sufficient to sustain the findings of the trial court that the secretary had authority to execute the trade acceptance in question and that defendant was bound by its secretary's act. In such action, where it appeared that the defendant corporation had received money upon discounting the trade acceptance and continued to hold such money without offering to reimburse plaintiff, defendant was bound by the contract and was estopped to deny the authority of its secretary to execute the trade acceptance. *First Nat. Finance Corp. vs. Five-O Drilling Co.* Supreme Ct. Calif. Decided June 17, 1930.

* * *

NEGOTIABLE INSTRUMENTS. BANK DRAFT. STOPPING OF PAYMENT. (WASH.)

The Epso Products Company made arrangements to purchase from the appellant a filter. This was a cash transaction, and the Epso Products Company purchased a draft on the Dexter Horton National Bank of Seattle. The filter was delivered to a common carrier. Then appellant learned that the draft in question had been dishonored. He demanded immediate payment of the face of the draft, which demand being refused, this action was commenced to recover the amount of the draft. Respondent's defense is that the Epso Products Company, because of the fact that appellant had failed to promptly ship the filter notified respondent to stop payment of the draft, which it then did. *Held* that the liability of a bank issuing a draft must be practically that of a bank issuing a cashier's check. No case has been cited which indicates that payment may be stopped on cashiers' checks, certified checks, or bank drafts, and the text-writers generally hold that it cannot be done. Further, this bank draft was purchased by the Epso Products Company. When it purchased and paid for this instrument and caused it to be sent to appellant, appellant became a holder in due course, and for value. The payee may be a holder in due course. As to such holder, respondent bank has no defense. Judgment for appellant. *Kohler vs. First Nat. Bank of Tonasket.* Supreme Ct. Wash. Decided June 12, 1930.

* * *

EXCESSIVE INSURANCE. PROPERTY OF INSOLVENT'S ESTATE. STATUTE. CONSTRUCTION. (ARK.)

Ed Cornish died insolvent, with life insurance, with his wife, the defendant, as beneficiary, in the sum of $436,500.00. The premium upon this insurance had been paid by Cornish out of his own funds. Plaintiffs, creditors of Cornish, now seek to have so much of this insurance as was purchased by premium in excess of three hundred dollars annually, treated as part of his estate and subject to the payment of their debts. *Held* that a decision of this question requires a construction of Section 5579, Crawford & Moses Digest of the Statutes of Arkansas. This statute was evidently borrowed from the New York statute, and carried with it the meaning which the courts of that state had placed upon it prior to its adoption in Arkansas. The New York decisions clearly hold that the insurance bought with premiums in excess of the exemption allowed in the statute is to be treated as the property of the husband and subject to the payment of his debts. A proper construction of this statute is to treat the insurance bought with annual premiums of three hundred dollars as exempt, and make only the insurance bought with premiums in excess of that sum subject to the payment of the husband's debts. *Dinkins et al. vs. Cornish.* U. S. Dist. Ct. Eastern Dist. of Arkansas. Decided June 23, 1930.

* * *

FRAUDULENT CHECK. POST-DATING. SEC. 1292-A, PENAL LAW.

Defendant gave complainant a check bearing date October 30, 1929, which check was made and issued by the defendant on October 3, 1929, and was given on account of the indebtedness which was then past due. Defendant was convicted of the crime defined in Sec. 1292-A of the Penal Law.

Held that Sec. 1292-A does not recite postdated checks among the prohibited items. Sec. 321 of the Negotiable Instruments Law defines a check to be a bill of exchange drawn on a bank payable on demand. So, the instrument in question was not a check within the meaning of Sec. 321, and to issue it under the conditions described in the Act does not, therefore, constitute a crime within the meaning of Sec. 1292-A of the Penal Law. Judgment reversed, the information dismissed, and defendant discharged. *People vs. Mezeloff,* Supreme Ct. App. Div. 1st Dept. Decided May 29, 1930.

CONTRACTOR'S BOND. ITEMS COVERED. STATUTE (IDAHO).

Action on highway construction contractor's bond. Storm entered into a contract with the State for the construction of a portion of road. Pursuant to the terms of said contract and C. S. Sec. 7341, the defendant, Neitzel, deposited a cashier's check in lieu of the surety bond required by said section. The work was completed and final settlement made with the contractor and no suit on the contract or bond was brought by the State. Thereafter, Neitzel substituted a personal bond in lieu of said cashier's check. This is an action by one furnishing labor and materials for a public improvement, upon the bond required to be given by said C. S. Sec. 7341. The statute provides that in case no suit is brought on the bond by the state, the person furnishing labor or materials for the prosecution of the work may bring an action in the name of the state on the contractor's bond. The objection is as to the character of the labor and materials furnished by plaintiff and his assignors, appellants, appellants contending that they are not covered by the bond. It is contended that the act is designed to take the place of the mechanic's lien statutes as applied to private structures, and to be construed to cover only such labor and materials as would be lienable if furnished for a private structure.

Held that recovery on the bond under the Idaho statute is not limited to labor and materials that are lienable under the mechanic's lien law in its application to private structures, but that all labor or materials that directly or indirectly contributed to the construction of the work are covered by the bond, even though such materials did not actually enter into the permanent structure. The incidental repairs to machinery, pipe and fittings for washing the gravel, erections of a temporary nature necessary for the use of the crusher, incidental repairs to the motor trucks used in conveying the gravel to the work from the crushing plant, although not wholly consumed in fulfilling the contract, come properly under the obligation imposed by C. S. Sec. 7341. Clothing, such as gloves, etc., and tools not consumed or destroyed in the work, do not.

People ex rel. White, vs. Storm et al. Supreme Ct, Idaho. Decided April 22, 1930.

* * *

CONTRACTOR'S BOND. PUBLIC WORK. CLAIMS OF SUBCONTRACTORS AND MATERIALMEN. SURETY'S LIABILITY. (N. Y.)

E. H. Monin, Inc. made a contract with the Board of Education of the City of Lockport, to supply the heating and ventilating apparatus

for two of the city schools. Under the authority of the Education Law ("Sec." 875, subd. 8), the Board exacted from the contractor the security of a bond. This bond which was executed by the Monin Company as principal and by the Standard Accident Insurance Company as surety, was conditioned to the effect that the contractor would complete the work in accordance with the contract, and in addition, that it would well and truly pay for all materials used and services rendered in connection herewith. At the time of the completion of the work, a balance was owing to the contractor. Against this fund, subcontractors had filed with the Board three notices of lien.

Held, that in the case at hand, the materialmen and laborers are not seeking a recovery upon the bond in competition with the municipal corporation that exacted the security. The municipal corporation is itself a party to the action, and joins in the prayer that the surety be made to pay in accordance with its promise. Two of the subcontractors do not need the security of the bond, for they have liens upon the balance due to the contractor, and are thus sufficiently protected. The other subcontractor, the Buckeye Blower Company, does need the security, for because of its defective notice it is without the benefit of a lien. Even so, its claim is within the condition of the bond, for it has supplied material and labor that have gone into the building. In thus holding the surety to the performance of its covenant, the court does not leave it helpless without means of reimbursement. In the end, the materialman will have reimbursement from the surety, and the surety from the city. The loss will fall on the contractor who in equity should bear it.

Johnson Service Co., Inc. vs. E. H. Monin, Inc. et al. Court of Appeals. N. Y. Decided May 6, 1930.

* * *

ATTORNEYS FOR RECEIVER. ALLOWANCE OF FEES. FAILURE TO OBEY COURT RULE. (N. Y.)

Motion by attorneys for receiver for an allowance as compensation for services rendered; and motion by Creditor's Committee to dismiss application. It is urged that all compensation for these attorneys is barred by Rule 4 of the Bankruptcy Rules of this Court.

Held, that it is undisputed that the firm of attorneys were the attorneys for the three petitioning creditors, two of whom were directors and stockholders of the bankrupt corporation. Furthermore, the firm represented a competitor of the bankrupt and a corporation of which the president was one of the petitioning creditors in the present proceedings. These facts were not disclosed in any affidavit made by any one of the attorneys for the receiver before their appointment. For these reasons the Court must hold that the attorneys did not comply with Rule 4. In the first place, as attorneys for the petitioning creditors, they were barred from acting as attorneys for the receiver unless the Court decided from the facts proved by their affidavit filed before their appointment, that their retention was proper notwithstanding their relationship to the petitioning creditors. Certainly it was not alleged, as required by the Rule, that their retention by the petitioning creditors had not been influenced by a director or stockholder of the bankrupt. In the second place, they did become the attorneys for the petitioning creditors at the instance of directors and stockholders of the bankrupt corporation because two of the petitioning creditors themselves were such. This in itself absolutely disqualified them from becoming attorneys for the receiver because of the express provisions of the Rule. Accordingly, the attorneys' motion for an allowance is denied.

Matter of Rogers Pyatt Shellac Co. U. S. Dist. Ct. Southern Dist. of N. Y. Decided May 8, 1930.

ASSIGNMENT FOR BENEFIT OF CREDITORS. RIGHTS OF NON-ASSENTING CREDITORS. (KANS.)

An insolvent debtor made an assignment of his non-exempt property for the benefit of his creditors who elected to come in and accept the conditions imposed in the instrument of conveyance. Besides the limitations of benefits to those who accepted under the assignment, there was a provision that any surplus remaining after claims of creditors were paid should be returned to the assignor and further that the creditors who shared in the estate must acknowledge full payment of their claims and release the assignor from further liability on any part of unpaid claims. In making the assignment there was non-compliance with essential provisions of the statute governing assignments for the benefit of creditors. *Held,* that the assignment and transfer was void, at least as to the non-assenting creditor, and that the proceeds of the sale of the property of the assignor in the hands of the trustee was subject to seizure by garnishment to satisfy the debt due the non-assenting creditor. *McCord-Norton Shoe Co. vs. Brown.* Supreme Ct. Kansas. Decided July 5, 1930.

The WASHINGTON NOTES following are supplied by George C. Shinn, attorney-at-law, Wilkins Building, Washington, D. C.

Legislation

None of the various bills, looking to the amendment of the Bankruptcy laws, were passed at the session of Congress recently closed. It is somewhat early to predict what may be done at the next session. However, members of the Judiciary Committee have been considering various reforms, and doubtless something tangible will develop next Winter.

The Strong Bill to amend the banking laws, so as to provide preference in favor of drafts, bills of exchange, etc., forwarded for collection, and where the receiving bank goes into the hands of a receiver, failed of passage at the last session of Congress. This subject evoked considerable discussion at the hearing held on the Bill, there being representatives from farming, manufacturing, banking, and other industries. A comprehensive study of the question is being made by members of the Banking Committee, and it is thought likely that the proposed legislation will receive some favorable action at the next session of Congress.

The bill prohibiting the interstate shipment of prison-made goods throughout the United States, which recently was enacted into law, seems to have stirred up considerable opposition among the executives of some of the States. It is regarded as a species of National legislation, discriminating against some of the States where prison-made goods are manufactured and shipped to various points throughout the country. The bill, however, had the endorsement of a great number of economists, industrialists, business men and labor organizations, and very likely the opposition to the measure will gradually subside.

Mail Fraud Convictions

The Supreme Court of the District of Columbia recently sentenced three men to the penitentiary after conviction of conspiracy to use the mails to defraud in connection with an alleged "front-money" game, by which firms and corporations throughout the country, it was alleged, were induced to give up thousands of dollars on representations that S. B. Thayer Son & Co. had special advantages for floating bond issues.

The men convicted and sentenced are Frederick E. Lewis, of Philadelphia, two years in the penitentiary and a fine of $5,000.; Edward F. Lukens of Philadelphia, eighteen months in the penitentiary, and Butler Kellog of New York, one year and one day in the penitentiary.

The men noted an appeal to the Court of Appeals, and were released on bail pending the appeal.

Credit Losses in Retail Credit Survey

The Department of Commerce recently issued a bulletin, pointing out the wide variance in credit losses, shown in the Commerce Department Retail Credit Survey. It says:

"That certain classes of retail trade have credit losses considerably above the general average for all lines was revealed in the recent nation-wide credit study conducted by the Department of Commerce. This credit study, undertaken at the request of the National Retail Credit Association in which more than 1,000 credit bureaus and 25,000 merchants cooperated, sets forth without recommendation the experience in credit extension of a large number of establishments in all sections of the country. Its main purpose is to serve as a guide to the individual merchant in carrying on his business, as it will permit him to compare his own figures with those of similar establishments operating under like conditions.

The report of the survey is being issued in three sections, each presenting information on several lines of trade. Part II, just issued, is concerned with the following lines: Automobiles, automobile accessories, radio, bakery products, groceries, jewelry, electrical appliances and optical goods.

The average loss from bad debts on open credit sales of the more than 10,000 retail establishments employing such terms was six-tenths of 1 per cent. Electric appliance stores, however, showed average open credit losses proportionately two and one-half times as great or 1.5 per cent.—the highest average loss of any of the retail lines considered. Radio, drug, and automobile accessory stores were in a similar position, all having losses more than twice as large as the average.

That there is opportunity for improvement in the credit practices of many establishments in various lines is indicated by the wide variation existing within the same class of stores. For example, the report just issued shows that out of a total of 1,675 grocery stores, there were 315 with the very low loss of less than 0.2 per cent. and at the other extreme were 168 stores with the very high loss of 5 per cent. or more.

Among the interesting data shown in the present report are those in connection with credit extension in the retail jewelry trade. In this line facts developed show that although open account losses were relatively low, such accounts in the smaller stores were allowed to run for unusually long periods, being outstanding on an average over five months in this group. In the matter of bad debt losses on instalment sales, jewelry stores, with 4.4 per cent. losses, were second only to general clothing stores which had the high figure of 7.9 per cent.

Average losses on instalment sales were 3.6 per cent. for automobile accessory stores, 1.5 for electrical appliance stores, 1.1 for radio stores, 0.9 for optical goods and only 0.3 per cent. for automobile dealers.

The information on credit operations is set forth by kinds of stores and by size and geographical location under each, with the idea of making it possible for the individual merchant to compare his own experiences in credit losses, credit terms, the use of credit bureaus, collection percentages, etc., with those of others in his volume-size group and in his territory.

Copies of Part II of the survey, which is issued as Domestic Commerce Series No. 34, may be obtained for 10 cents from any branch office of the Bureau of Foreign and Domestic Commerce or from the Superintendent of Documents, Washington, D. C."

Approved Adjustment Bureaus

as of July 1, 1930

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows:

A—Assignments | **C—Collections** | **R—Receiverships**
B—Bankruptcy Claims Representation | **P—Personal Contact Service** | **T—Trusteeships**

Consider our Adjustment Bureaus as a part of your Credit Department.

CALIFORNIA — Los Angeles — Rehabilitations and Liquidations. Wholesalers' Board of Trade, 800 Board of Trade Bldg., F. C. DeLano, Mgr. For Collections, see Collection Division, Los Angeles C.M.A. (AB)

Note: Independent organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the Los Angeles Association of Credit Men.

Los Angeles—Collections and Traveling Adjuster Service. Collection Division of the Los Angeles C.M.A., 829-30 Board of Trade Bldg.. Reid Fulkman, Mgr. For Rehabilitations and Liquidations, see Wholesalers' Board of Trade. (CP)

Oakland—Adjustment Bureau of the Oakland A. C. M., 528 Central Bank Bldg., K. S. Thomson, Mgr. (ABCPRT)

San Diego—Wholesalers Board of Trade & Credit Association, 573 Spreckles Bldg., Carl O. Retsloff, Mgr. (ABCPRT)

San Francisco—Rehabilitations and Liquidations. Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y. For Collections, see Collection Dept., San Francisco A.C.M. (ABRT)
Note: Independent organization not controlled by but whole-heartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men.

San Francisco—Collections and Traveling Adjuster Service. Collection Department of the San Francisco A. C. M., 500-10 Oceanic Bldg., O. H. Walker, Mgr. For Rehabilitations and Liquidations, see Board of Trade of San Francisco. (CP)

COLORADO—Denver — Adjustment Bureau of the Rocky Mountain A. C. M., 810 Fourteenth St., James B. McKelvy, Mgr. (ABCPRT)

DISTRICT OF COLUMBIA—Washington—Adjustment Bureau of the Washington A. C. M., 827 Munsey Bldg., John A. Reilly, Mgr. (ABCPRT)

FLORIDA—Jacksonville—Credit Association of Northern Florida, 607-9 Atlantic National Bank Bldg., W. B. Oliver, Mgr. (ABCPRT)

Miami—Miami Adjustment Bureau Inc. of the Southeastern Credit Assn. of Florida, 27 N.W. Miami Court, F. G. Hathaway, Mgr. (ABCPRT)

Tampa—Adjustment Bureau of the Tampa A. C. M. 5 Roberts Bldg., S. B. Owen, Mgr. (ABCPRT)

GEORGIA—Atlanta—Adjustment Bureau of the Atlanta A. C. M.. 305 Chamber of Commerce Bldg., F. H. Sned, Mgr. (ABCPRT)

IDAHO—Boise—Adjustment Bureau of the Boise A. C. M., 208-9 McCarty Bldg., H. L. Streeter, Mgr. (ABCPRT)

ILLINOIS—Chicago—Adjustment Bureau of the Chicago A. C. M., 1400 Midland Bldg., 176 W. Adams St., H. W. Cline, Mgr. (ABCPRT)

INDIANA—Evansville—Adjustment Bureau of the Evansville A. C. M., 607 Old National Bank Bldg., C. Howard Saberton, Mgr. (ABCPRT)

Indianapolis—Adjustment Bureau of the Indianapolis A. C. M., 901 Peoples Bank Bldg., Merritt Fields, Mgr. (ABCPRT)

South Bend—Adjustment Bureau of the South Bend A. C. M., 829-30 J. M. S. Bldg., E. J. Payton, Mgr. (ABCPRT)

IOWA—Davenport—Adjustment Bureau of the Tri-City Credit Men's Assn., 1001 First National Bank Bldg., H. B. Betty, Mgr. (ABPRT)

Des Moines—Adjustment Bureau of the Des Moines A. C. M., 812 Valley National Bank Bldg., Don E. Neiman, Mgr. (ABCPRT)

Sioux City—Adjustment Bureau of the Inter-State A. C. M., 601 Trimble Bldg., P. A. Lucey, Mgr. (ABCPRT)

KANSAS—Wichita—Adjustment Bureau of the Wichita Association of Credit Men, 4th floor First National Bank Bldg., M. E. Garriton, Mgr. (ABCPRT)

KENTUCKY—Lexington—Adjustment Bureau of the Lexington Association of Credit Men, 28 Northern Bank Bldg., E. M. McGarry, Mgr. (ABCPRT)

Louisville—Adjustment Bureau of the Louisville Association of Credit Men, 6th Floor, Kenyon Bldg., S. J. Schneider, Mgr. (ABCPRT)

LOUISIANA—New Orleans—Adjustment Bureau of the New Orleans Credit Men's Association, 608 Louisiana Bldg., T. J. Bartlette, Mgr. (ABCPRT)

MARYLAND—Baltimore—Adjustment Bureau of the Baltimore Association of Crdeit Men, 301 West Redwood Street, George J. Lochner, Mgr. (ABCPRT)

MASSACHUSETTS—Boston—Adjustment Bureau of the Boston Credit Men's Association, 38 Chauncy St., J. M. Paul, Mgr. (ABCPRT)

Springfield—Adjustment Bureau of the Western Mass. Assoc. of Credit Men, 616 State Bldg., H. E. Morton, Mgr. (ABCPRT)

MICHIGAN—Detroit—Adjustment Bureau of the Detroit Association of Credit Men, 1282 First National Bank Bldg., L. E. Deeley, Mgr. (ABCPRT)

Grand Rapids—Adjustment Bureau of the Grand Rapids Association of Credit Men, 602-8 Association of Commerce Bldg., Edward De Groot, Mgr. (ABCPRT)

MINNESOTA—Duluth—Duluth Jobbers Credit Bureau, Inc., 501 Christie Bldg., E. G. Robie, Mgr. (ABCRT)

Minneapolis—Collections and Traveling Adjuster Service; Associated Creditors, Inc., 540-44 Bakers' Arcade, J. L. Brown, Secy.-Treas. For Rehabilitations and Liquidations see St. Paul. (CP)

St. Paul—Rehabilitations and Liquidations. The Northwestern Jobbers Credit Bureau, 241 Endicott Bldg., W. C. Rodgers, Mgr. For Collections and Traveling Adjuster Service, see Minneapolis. (ABRT)

MISSOURI—Kansas City—Adjustment Bureau of the Kansas City Association of Credit Men, 5th floor, Carbide and Carbon Bldg., 912 Baltimore Ave., C. L. Davies, Mgr. (ABCPRT)

St. Louis—Adjustment Bureau of the St. Louis Association of Credit Men, 214 N. Sixth St., Orville Livingston, Mgr. (ABCPRT)

MONTANA—Billings—Adjustment Bureau of the Montana-Wyoming Association of Credit Men, Box 1184, Meredith Davies, Mgr. (ABCPRT)

Great Falls—Adjustment Bureau of the Northern Montana Association of Credit Men, Box 1784, Mrs. M. M. Berthelote, Asst. Mgr. (ABCPT)

NEBRASKA—Lincoln—See Omaha.

Omaha—Adjustment Bureau of the Omaha Association of Credit Men, 1122 Harney St., G. P. Horn, Mgr. (ABCPRT)

NEW JERSEY—Newark—Adjustment Bureau of the North Jersey Association of Credit Men, 17 William St., Wm. H. Whitney, Mgr. (ABCPRT)

NEW YORK—Buffalo—Western New York Adjustment Corpn., 705 Erie County Bank Bldg., James D. Huestis, Mgr. (ABCPRT)

New York City—New York Credit Men's Adjustment Bureau, Inc., 470 Fourth Ave., T. O. Sheckell, Mgr. (ABCPRT)

Rochester—Collection Bureau of the Rochester Credit Men's Service Corporation, 1135-7 Mercantile Bldg., J. E. Smith, Mgr. (CP)

NORTH CAROLINA—Charlotte—Credit Interchange and Adjustment Bureau Inc. of the Carolina Association of Credit Men, 1117 Commercial Bk. Bldg., S. E. Callahan, Mgr. (ABCPRT)

OHIO—Cincinnati—Commercial & Industrial Engineering Department of the Cincinnati Association of Credit Men, Temple Bar Bldg., J. L. Richey, Mgr. (ABCPRT)

Cleveland—Adjustment Bureau of the Cleveland Association of Credit Men, 410 Leader Bldg., Hugh Wells, Mgr. (ABCPRT)

Columbus—Central Ohio Credit Interchange & Adjustment Bureau, 244 So. Third St., J. E. Fagan, Mgr. (ABCPRT)

Dayton—Collection Dept. of the Dayton A.C.M., 40 Hamiel Bldg., Fifth & Ludlow Sts., Tom B. Talbot, Jr., Mgr. (C)

Toledo—Adjustment Bureau of the Toledo Association of Credit Men, 136 Huron St., H. W. Voss, Mgr. (ABCPRT)

Youngstown—Adjustment Bureau of the Youngstown Association of Credit Men, 1110 Mahoning Bank Bldg., H. B. Doyle, Mgr. (ABRT)

OKLAHOMA—Oklahoma City—Adjustment Bureau of the Oklahoma Wholesale Credit Men's Association, 907 Cotton-Grain Exchange Bldg., E. E. Barbee, Mgr. (ABCPRT)

OREGON—Portland—Adjustment Bureau of the Portland Association of Credit Men, 471 Pittcock Block, E. W. Johnson, Mgr., W. Redman, Executive Secretary. (ABCPRT)

PENNSYLVANIA—Allentown—Lehigh Valley Adjustment Bureau, 503 Hunsicker Bldg., J. H. J. Reinhard, Mgr. (ABCPRT)

Philadelphia—Adjustment Bureau of the Philadelphia Association of Credit Men, 1502 North American Bldg., D. A. Longacre, Mgr. (ABCPRT)

Pittsburgh—Adjustment and Service Bureau of The Credit Association of Western Pa., 1213 Chamber of Commerce Bldg., H. M. Oliver, Mgr. (ABCPRT)

Altoona—Adjustment Bureau of The Credit Association of Western Pa., 1413 Eleventh Ave., Paul A. Kerin, Dist. Mgr. (ABCPRT)

Johnstown—(Eastern Dist. Office) Adjustment Bureau of The Credit Assn. of Western Pa., 632 Swank Bldg., R. H. Coleman, Dist. Mgr. (ABCPRT)

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Memphis—Adjustment Bureau of the Memphis Association of Credit Men, 206 Randolph Bldg., E. C. Correll, Mgr. (ABCPRT)

TEXAS—Dallas—North Texas Adjustment & Credit Interchange Bureau, Suite 322 Santa Fe Bldg., Verner Hall, Mgr. (ABCPRT)

El Paso—Adjustment Bureau of the Tri-State Association of Credit Men, 622 Caples Bldg., James Nesson, Mgr. (ABCRT)

Houston—Adjustment Bureau of the Houston Association of Credit Men, 433 First National Bank Bldg., Morris D. Meyer, Mgr. (ABCPRT)

San Antonio—San Antonio Wholesale Credit Men's Adjustment Bureau, 313 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr. (ABPRT)

UTAH—Salt Lake City—Adjustment Bureau of the Inter-Mountain Association of Credit Men. 1411 Walker Bank Bldg., Robert Peel, Mgr. (ABCPRT)

VIRGINIA—Lynchburg—Credit Interchange and Adjustment Bureau of the Lynchburg Association of Credit Men, 405 Lynch Bldg., Mrs. M. A. Blair, Mgr. (ABCPRT)

Richmond—Adjustment Bureau of the Richmond Association of Credit Men, 303-09 Travelers Bldg., J. P. Abernethy, Mgr. (ABCPRT)

WASHINGTON—Seattle—Adjustment Bureau of the Seattle A. C. M., 314 Colman Bldg., Peter Balkema, Mgr. (ABCPRT)

Spokane—Spokane Merchants Association, 718 Realty Bldg., J. D. Meikle, Mgr. (ABCRT)

Tacoma—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y, (ABCPRT)

WEST VIRGINIA—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr. (ABCPRT)

Huntington—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townshend, Mgr. (ABCPRT)

Charleston—(Branch Office) Tri-State Credit & Adjustment Bureau, Room 402-3, 804 Quarrier St., Ira W. Belcher, Mgr. (ABCPRT)

Wheeling—Adjustment Bureau of the Wheeling Association of Credit Men, 719-20 Central Union Bldg., E. K. Pfeil, Mgr. L. I. MacQueen, Exec. Mgr., Pittsburgh, Pa. (ABCPRT)

WISCONSIN—Green Bay—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, 123 N. Washington Street, R. C. Creviston, Mgr. (ABCPRT)

Milwaukee—Adjustment Bureau of the Milwaukee Association of Credit Men, 632-46 The Milwaukee Gas Light Co. Bldg., Jas. G. Romer, Executive Mgr. (ABCPRT)

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